Housing Element
City Of Palo Alto

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City of Palo Alto

Housing Element Technical Document 1999-2006

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Note: The data used in this document originated from a variety of sources and time frames. The majority of statistical information was obtained from U.S. Census data, however other data was also used to supplement year 2000 Census data where that data was incomplete. Inconsistencies in the data have been corrected as much as feasible but there still may remain some differences in data reporting due to the time frame when the data was collected or the agency collecting the.data..

Executive Summary

Following are some of the highlights or more significant information contained in the 1999-2006 Housing Element Technical Document:

Household and Housing Data

Housing Costs and Income

Housing costs for ownership units more than doubled between 1996 to 2000 and rental housing costs nearly doubled between 1996 and 2001. Countywide household median income increased only 29% between 1996 and 2000. This means that more households are probably overpaying for housing in 2000 than in 1996.

Palo Alto's Population Mix Will Change:

While Palo Alto's total population is not expected to increase significantly in future years, it is anticipated that certain groups within the population will change in size and proportion. In specific, the number and percentage of older adults is expected to continue to increase. Additionally, although the number of families with children have increased over the last 10 years, the number of persons of childbearing age has decreased in recent years and this may affect the percentage and number of children in the population.

More Single Parent Households and Seniors

The number of single parent households grew rapidly in the 1990s increasing from 7% of all family households to 12%. These households have considerably less income than other family households and are more at risk of becoming homeless. The population of those aged 65 years or older increased by 5.8%, slightly higher than the overall 5% population growth of the City. Seniors, many of whom are on fixed incomes, continue to need more affordable housing.

Rate of Housing Production Has Decreased:

Palo Alto's highest rate of housing production was during the decade between 1950-60 when approximately one-third of all of Palo Alto's housing units were constructed. Since then, however, the rate of housing production has continued to decrease. From 1970-80 the annual rate of housing production was 240 units per year, however, from 1990-2000 the annual rate of housing production had decreased to 97 units per year.

Palo Alto Is Essentially A "Built-Out" Community:

Only 0.5% of the land area in the City is vacant and there are few opportunities to annex additional lands in the future.

Housing Is Expensive:

The median sales price for a single family, detached home in Palo Alto in the year 2000 was $1,006,600. This sales price would require an annual income of approximately $275,000 in order to purchase a unit using traditional underwriting criteria. A condominium/townhome sold for a median sales price of $546,600 in the same time period and would require an annual income of approximately $163,000 in order to afford the unit.

Home ownership Is Only Available To Higher Income Households:

Without a public subsidy, home ownership is only affordable to households with above moderate-incomes. Very low-, low- and moderate-income households cannot afford the median sales price home ownership units.

Rental Units Are Only Affordable to Households Earning 115% or More of the County Median Income:

Above moderate-income households and moderate-income households earning 115% of the County median income in Palo Alto can afford average rental rates but most moderate-, low- and very low-income households are priced out of the market.

Housing Achievements (1998-2000):

The City has actively supported the development and preservation of affordable housing opportunities through the following activities:

1. "Below Market Rate" (BMR) Program

Between 1998 and 2002 the City added 68 new rental units for low-income households and 8 new ownership units for moderate-income households under its Below Market Rate program.

2. Assistance to Non-Profit Organizations

Financial and technical assistance has been provided to assist non-profits in:

- Providing housing services, such as:
    - Senior Home Improvement Repair Program
    - Shared Housing Programs
    - Homeless Assistance
    - Accessibility Improvements to Existing Housing Developments
    - Fair Housing and Information Services

- Developing Affordable Housing:
    - Acquisition and Rehabilitation of the Palo Alto Gardens (156 units) and the Sheridan Apartments (57 units).
    - Construction of the Alma Place Single Room Occupancy very low-income rental housing facility (107 units).
    - Construction of Page Mill Court (24 units), which provides permanent, affordable rental housing for very low-income persons with developmental disabilities.

3. Funding Assistance

Between 1995 and 2000, Palo Alto expended $4.7 million in CDBG funds for housing development, housing programs and administrative costs for housing related services. In fiscal years 1998-1999 and 1999-2000, Palo Alto expended nearly $2 million of its Residential and Commercial Housing Reserve funds in loans or permanent funding of affordable housing projects.

4. Rehabilitation Assistance

The City provided assistance to very low- and low- income households to rehabilitate their housing units through the Rental Rehabilitation Program and the CDBG Program. The projects assisted included the following:

- Rehabilitation of the water system for the 66 unit Arastradero Park Apartments. New water lines were provided for each unit under this project.

- Re-roofing Building "A" which contains 59 units of the 120 unit Stevenson House for low-income seniors

Housing Needs

Affordable Housing Is Needed:

Affordable housing is the most significant housing need for very low-, low- and moderate income households and for "special need" households such as the elderly, the disabled, single parent households that are the most risk of becoming homeless, large families in overcrowded conditions, and the homeless. More higher density rental housing, practically the only affordable housing in Palo Alto, is needed to meet the needs of these groups.

New Construction Projects In The Future Must Contain Affordable Housing Units:

There will be several opportunities in the future for the City to review proposals for residential developments. Affordable housing, consistent with City policies, shall be included as a requirement in approving any of these proposals.

Palo Alto's Existing Housing Stock Needs To Be Preserved and Maintained:

Existing units in the housing stock must continue to be maintained and affordable units must be monitored to ensure that they continue to be preserved as affordable housing for very low- and low-income households.

More Non-Residential Lands Must be Converted to Residential Use:

There is only about 15 acres of vacant residential land in Palo Alto. To meet the City's housing needs, more non-residential lands must be converted to residential use or mixed use with a minimum component of residential development. The City will implement an aggressive Housing Opportunities Study to designate and rezone the lands most appropriate for this conversion process.

Continue to Support Non-Profit Organizations Providing Housing Services:

Non-profit groups are very active in the Palo Alto area in providing housing related services. The City should continue its tradition of supporting those organizations with technical and financial support.

Continue and Assess Current Housing Programs:

The City's BMR Program has been operative since 1974. While it is recognized as being successful in providing affordable housing opportunities, it is an appropriate time to review and evaluate the overall results of the program and identify possible new directions for the future. Current requirements for Below Market Rate Housing will need to be increased if the City is to be able to create a substantial number of affordable housing units. Program policies and requirements need to be coordinated so that all program documents reflect the same information. The City should assess the effectiveness of programs such as the second unit or "cottage" provisions, incentives for mixed use projects, allowing for small lot subdivision and increasing minimum densities.

Evaluate Existing and Proposed Ordinances:

The City should evaluate the Planned Development process and its requirement of a "public benefit" finding that is perceived as adding to housing cost. The City should assess the need for a "Single Room Occupancy" (SRO) Ordinance or special provisions within the Zoning Ordinance to more readily enable the construction of SROs. The City should modify its parking requirements to encourage more housing where jobs, services and transit decrease the parking need and where parking costs can contribute to excessively high housing costs. The City must also amend the Zoning Ordinance to implement the programs of the Housing Element to ensure that all residential lands are utilized as fully as possible and that development standards in the Zoning Ordinance will allow maximum development potential to be achieved.

Increase the Contribution from Commercial/Industrial Development to Meeting Affordable Housing Needs:

The City continues to have a severe jobs/housing imbalance creating a huge unmet demand for housing that contributes to increased housing costs. New job generating development continues to exacerbate this situation. The commercial and industrial housing in-lieu fee for projects impacting housing should be periodically re-evaluated to ensure that new commercial/industrial development contributes its share to the City's efforts to produce affordable housing.

Chapter 1: Introduction

Comprehensive Plans and Housing Elements

Cities and counties in California are required to develop Comprehensive or General Plans, which are long-range planning documents. A community's Comprehensive Plan typically provides an extensive and long-term strategy for the physical development of the community and any adjoining land. There are seven subject areas that must be addressed in a community's Comprehensive Plan, although other subjects can be added based on the community's needs and objectives. The seven mandated "Elements" that each Comprehensive Plan must contain include Land Use, Circulation, Conservation, Open Space, Noise, Safety and Housing Elements.

The Housing Element of the Comprehensive Plan is mandated by State law to contain certain subject areas and is reviewed by the State's Department of Housing and Community Development (HCD), to determine if it complies with State Housing Element Law, specifically Article 10.6 of the Government Code. Article 10.6 requires communities to include the following information in their Housing Element:

- evaluation of existing housing needs,
- estimates of projected housing needs,
- review of previous Housing Element goals and programs,
- inventory of adequate sites for housing and evaluation of infrastructure condition and requirements,
- identification of governmental and non-governmental constraints on housing production,
- development of housing programs to address identified needs, and
- quantifiable objectives for the construction, rehabilitation and conservation of housing.

State law also requires Housing Elements to be updated every five-years to ensure each jurisdiction addresses its changing housing needs and identifies sufficient opportunities to provide housing for all economic segments of the community. This update covers the years 1999-2006 and builds on the progress made in previous Palo Alto Housing Elements.

Housing Elements: City of Palo Alto

The Technical Document that follows is part of the Housing Element for the City of Palo Alto. It is anticipated that the Housing Element, including this Technical Document, will be adopted by the City Council in December 2002. The Housing Element covers the seven and a half year period from January 1, 1999 to June 30, 2006. This Technical Document was prepared pursuant to Article 10.6 of the Government Code (State Housing Element Law) and was developed to address the issues listed above.

The City has previously adopted Housing Elements, the most recent being the 1998-2003 City of Palo Alto Housing Element. The 1998-2003 version of the Housing Element was an extension of the 1990 Housing Element and utilized the revised housing needs projected by ABAG for the 1990-1995 time frame since more recent housing need numbers had not yet been developed by ABAG. At that time, the City recognized that ABAG was in the process of updating its regional housing need projections and that the Housing Element would have to be revised once new fair share housing need numbers were developed. The new fair share numbers were approved by ABAG in May 2000 for the period of January 1, 1999 and June 30, 2006. This 1999-2006 Housing Element updates the 1998-2003 Housing Element and reflects the planning period and policies of the City's 1998-2010 Comprehensive Plan. The City's Housing Element also includes information not required by Article 10.6 but important to the evaluation of housing needs. For example, Chapter 4 of this Technical Document is a comprehensive inventory of the existing affordable housing resources in the City. This inventory was designed so that the reader would be able to acquire a complete overview of the range of housing opportunities currently available in Palo Alto. This inventory provides information that is important in order to evaluate housing needs and is supplemental to that required by State Housing Element Law.

Citizen Participation

The 1999-2006 Palo Alto Housing Element was prepared with the assistance of considerable community participation, including three public forums, an ad hoc Technical Advisory Committee (TAC), and a Focus Group. The TAC consisted of eight members representing a variety of community groups and public entities that had an interest both in the housing problems facing Palo Alto and in finding solutions to those problems. The groups represented on the TAC included: the Palo Alto Housing Corporation, Peninsula Interfaith Action (PIA), the Planning Commission, the League of Women Voters, and the Palo Alto Unified School District. The TAC provided comments and advice on the City's housing needs and the policies the City proposed to use to address those needs. It also reviewed draft versions of the Housing chapter of the Comprehensive Plan and made formal recommendations on those documents to the Planning Commission and the City Council.

The TAC strove to represent, or at least identify, the different housing interests of various segments of the community. It was a two-way conduit for delivering information between the City and the community and provided a forum for the members of each group on the TAC to share their knowledge and perspectives regarding housing needs and solutions.

Although each TAC member represented the views of their respective groups, they also consulted with other individuals in the community. All TAC meetings were open to the public.

The Focus Group consisted of 13 members representing for-profit and non-profit developers, planners, architects, and real estate interests with technical expertise on housing issues. The Focus Group provided advice on the feasibility and practicality of a variety of methods that could be used to address housing needs. In particular, the group was asked to: comment on the barriers to the production of affordable housing; identify which City policies and programs did or did not work; and, suggest incentives, policy changes, and regulatory changes would be useful to encourage the production of affordable housing. The Focus Group met once in August and this meeting was open to the public.

The first public forum, Action for Affordable Housing, was held on February 10, 2001, sponsored by the Human Relations Committee. The forum discussed ways to accommodate affordable housing and resulted in preparation of a Housing Supply Action Plan. On August 27, 2001 the City held a community forum on the Housing Element. The purpose of the forum was to inform the public about existing housing programs and issues facing Palo Alto as well as to elicit ideas regarding strategies to further promote housing opportunities in the City. About 100 persons attended the forum. After a welcome by the Mayor and a background overview by the City Manager of existing efforts and constraints to providing housing in Palo Alto, all participants were asked to identify individually the most significant issue or concern regarding the housing challenge in the City of Palo Alto. The forum participants then broke into four groups. The groups evaluated a range of topics including ways of increasing the number of housing units for all income levels, methods of preserving the existing housing stock and limiting the loss of residential units, balancing housing needs with service demands, and changes to the Zoning Ordinance that would enable increased housing production. At the conclusion of the group sessions, the group participants selected the top three issues discussed and reported those to the reconvened forum.

These comments were considered in the preparation of the draft Housing Element and Technical Document and were forwarded to the Planning Commission and City Council.

Using the comments and recommendations of the TAC, the Focus Group, and the community, the consultant and City staff prepared an administrative draft Housing Element and Technical Document. Notice of availability of the draft was published in a local newspaper and mailed to the individuals and organizations on the Housing Element update mailing list and posted in accordance with City policy prior to Planning Commission and City Council discussion. (Each individual who expressed interest in the Housing Element update process was added to a mailing list and was informed of all update activities.) Copies were available for review at City Hall and six City branch libraries as well as the City's Web page. The Housing Element and Technical Document were reviewed at public meetings conducted by the Planning Commission and the City Council.

The draft Housing Element and Technical document were reviewed by the Planning Commission on October 2, 2001 and by the City Council on October 9, 2001, to confirm the general policy direction of the draft. At the October 9 meeting the City Council raised several concerns regarding the direction of the draft Housing Element and decided that revisions of the draft Housing Element were necessary. The Council directed staff to revise the draft to address six key concerns before forwarding it to the State Department of Housing and Community Development (HCD) for review. Several neighborhood groups also spoke at the hearing and requested an additional community forum meeting. The Council granted this request and a new community forum was conducted on December 13 which focused on the concerns raised by the City Council and the community members participating in the October 9 public hearing. The Council's concerns and community comments from the December 13 community forum were considered in the preparation of the revised draft Housing Element, which was discussed by the City Council at a public hearing on February 4, 2002. The Council recommended forwarding the draft Housing Element to HCD, and it was submitted to HCD later that month for the mandatory 60-day review and comment period.

The Planning Commission conducted a public hearing in June 2002 and recommended adoption of the Housing Element and Technical Document to the City Council. Recommendations of the Planning Commission were considered by the City Council at a public hearing on December 2, 2002 at which time the Council adopted the Housing Element and Technical Document.

Chapter 2: Population and Households

Population Growth

During the decade between 1990-2000, Palo Alto's population increased by 5%. In 1990, the City's population was 55,900 and by 2000, that number had increased by 2,698 persons to 58,598. This was one of the lowest rates of population growth for communities in Santa Clara County for that decade. Santa Clara County's total population increased by 12% and the State of California's population increased by 13.6% for that same time period.

Illustration #1: Population by City, Santa Clara County, 1990 -2000

City	1990	2000	Growth 1990-2000
Campbell	36,048	38,138	6%
Cupertino	40,263	50,546	26%
Gilroy	31,487	41,464	32%
Los Altos	26,303	27,693	5%
Los Altos Hills	7,514	7,902	5%
Los Gatos	27,357	28,592	5%
Milpitas	50,686	62,698	24%
Monte Sereno	3,287	3,483	6%
Morgan Hill	23,928	33,556	40%
MountainView	67,460	70,708	5%
Palo Alto	**55,900**	**58,598**	**5%**
San Jose	782,248	894,943	15%
Santa Clara	93,613	102,361	9%
Saratoga	28,061	29,843	6%
Sunnyvale	117,229	131,760	12%
Unincorporated	106,193	100,300	-6%
Total County	**1,497,577**	**1,682,585**	12%

Source: 1990, 2000 U.S. Census

Although the 1990-2000 population growth rate of Palo Alto was in the lowest tier of population growth in Santa Clara County, it was considerably greater than the 1% growth rate recorded for 1980-1990. This increase in population is due both to an increase in the number of dwelling and an increase in household size. Palo Alto's housing stock grew by 860 units between 1990 and 2000, an increase of 3.4%. Average household size increased from 2.2 to 2.3 persons per household during that same period.

This increase in household size is probably due to the increase in the number of family households with children under 18. In 1990, 22.4% of all Palo Alto households contained children 18 years old or younger. By 2000, 27.2% of all households contained children 18 years old or younger and represents the resurgence of the family in Palo Alto. This change

in household size was anticipated by a demographic analysis (Lapkoff and Gobalet Study) conducted in 1992 for the Palo Alto Unified School District. In that analysis, the authors reported that enrollments in the kindergarten and elementary grades were beginning to rise in the late 1980s and early 1990s. Part of this increase was attributable, they felt, to higher birth rates among the population. The increase in household size might also be attributable to young adult children staying or returning to their family home ("boomerang kids") because of the high cost of securing housing on their own.

In addition to the increase in the number of family households with children, there has been a small decrease in the number of non-family households from 10,865 (44% of all households) in 1990 to 10,623 (42% of households) in 2000. The combination of more family households and fewer non-family households helps to explain the increase in household size although this trend is likely to be short lived since the number of people in their childbearing years dropped from 24,863 in 1990 to 21,872 in 2000, a decrease of about 12%. Household size is, therefore, likely to decline in the future as the population of Palo Alto ages.

Palo Alto's population is not expected to increase significantly in the coming years. One of the primary reasons for this is that the City is essentially "built out" and there is little available land for new residential construction. In addition, the trend in Palo Alto has been towards a predominance of households with older household heads and no children at home despite the recent increase in family households during the last decade, which, as indicated above, is not likely to continue. The Lapkoff and Gobalet Study predicts that "Palo Alto's population will get older, not younger, during the coming decades". Further, their analysis indicates that migrants to Palo Alto in the future will also likely be older, have two incomes and be beyond the child bearing ages.

Palo Alto's population is expected to grow slowly over the next decade due to the decline in the child bearing age cohort (18-44) of the population and limited housing opportunities. Some immigration of higher income families into Palo Alto will continue given the City's good schools and good neighborhoods. However, as the existing population ages, the elderly population will increase and household size will eventually decline.

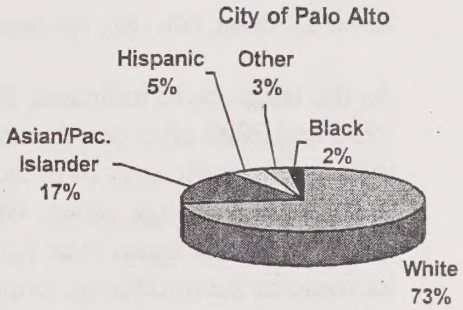
Population by Race/Ethnicity

In evaluating Palo Alto's racial distribution, the 2000 U.S.Census data indicate that Palo Alto's population is primarily composed of White persons. Approximately 75.8% of the population was identified as White in 2000. The next largest population group by race in the City was Asian or Pacific Islanders who comprised 17.3% of the City population. The remaining population groups were Hispanic who represented 4.6% of the population, Black persons who comprised about 2% of the total citywide population and other or mixed racial categories making up the remainder of the population. By comparison, in 1990 Whites represented 82% of the population, Hispanics 5%, Blacks 3% and others, including Asian or Pacific Islanders 10%. The fastest growing racial category between 1990 and 2000 was the Asian or Pacific Islander community which expanded by 74%.

Although Palo Alto's population has become somewhat more diverse between 1990 and 2000, its share of minority racial groups is still less than the countywide average in all categories. For example, 24% of Santa Clara County's population is Hispanic while only 4.6% of the City's population identified themselves as Hispanic in 2000. Palo Alto's Asian/Pacific Islander population is moving towards the countywide average for that group. The illustration on the next page graphically illustrates the City's ethnic/racial proportions with a comparison chart included of City and County statistics from the 2000 U.S. Census.

Illustration #2: Population by Race/Ethnicity, 2000

	City of Palo Alto	Santa Clara County
Population	58,598	1,682,585
White	72.8%	44.2%
Black	2.0%	2.8%
Hispanic	4.6%	24.0%
Asian/Pacific Islander	17.3%	25.9%
Other	3.3%	3.1%



Source 2000 U.S. Census Percentages *Rounded.* The other category is remnant of population not positively identified under any other racial or ethnic category.

Population by Age

The median age of Palo Alto's population has increased dramatically over the last three decades. In 1970, the median age was 29.5 years for males and 33.7 years for females. By 1990,the median age of Palo Alto residents had increased by approximately 6.5 years from 1970, climbing to 36.0 years for males and 40.0 years for females. In the year 2000, the median age for the entire population of Palo Alto was 40.2 years, which is considerably higher than the County median age of 34 years.

This "aging" of the population is evident in the increase in Palo Alto's senior population. In 1970, persons age 65 and over numbered 5,789, constituting 10.3% of the City's total population. By 2000, the senior population had increased by 3,351 to 9,140 persons, or 15.6% of the City's total population. Therefore, Palo Alto's senior population increased nearly 58% over the 1970-2000 time period.

Illustration #3: Population by Age: 1970, 1980, 1990, 2000

Age Groups	1970	1980	1990	2000	Change 1970-2000
Pre-School (Under 5)	3,205	2,168	2,764	2,970	-235
School Age (5-17)	12,682	8,998	6,999	9,436	-3,246
Child Bearing (18-44)	21,472	24,004	24,863	21,872	+400
Middle Age (45-64)	12,818	12,647	12,527	15,180	+2,362
Senior (65 and Over)	5,789	7,408	8,747	9,140	+3,351
TOTAL PERSONS	**55,966**	**55,225**	**55,900**	**58,598**	

Source: U.S. Census, 1970, 1980, 1990 (Report STF3, P 7 + 13)

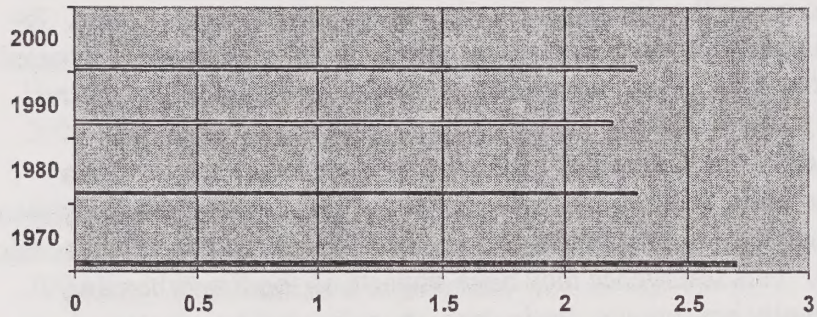
As the table above indicates, the pre-school and school age populations increased between 1990 and 2000 after two decades of decline. The middle age and senior populations also increased significantly over the last decade. The only age cohort that has decreased in size is the child bearing age group, which indicates that population growth by natural increase will begin to decline again over the next decade. The senior population is, given the substantial increase in the middle age population, likely to increase over the next decade, perhaps even more rapidly than the last three decades.

Households and Household Size

For purposes of evaluating housing supply and demand, it is useful to translate information from population figures to household data. According to the 2000 Census, there were 58,598 persons living in Palo Alto. Of this total, 668 were living in group quarters. The remaining 57,930 persons were living in households and the total number of households in the City in 2000 was 25,216.

Household size is an important consideration when addressing housing issues. The number of people occupying a housing unit affects the size and condition of the unit, as well as the demand for additional units in the housing market. For example, a continued decrease in household size with an increase in population would indicate a demand for additional housing units to accommodate the new household formations. On the other hand, dramatic increases in household size could indicate a number of situations such as "unrelated" members of households living together or an increase in the number of households with children. The 2000 household size in Palo Alto was 2.3 persons per household,which was a slight increase from the 1990 household size of 2.2 persons per household.

Illustration #4: Household Size, 1970-2000



1970 Household Size - 2.7 Persons Per Household
1980 Household Size - 2.3 Persons Per Household
1990 Household Size - 2.2 Persons Per Household
2000 Household Size - 2.3 Persons Per Household

Source: U.S. Census 1970, 1980, 1990 and 2000 data

Households by Type

According to 2000 U.S. Census data, approximately 14,593 households or 57.9% of all households were "family" households and 10,623 households (42.1% of total households) were "non-family" households. A family household is one in which a household lives with one or more persons related to him or her by birth, marriage or adoption. A non-family household is one in which a householder lives alone or with non-relatives only.

Family households are by definition typically larger in size than non-family households because family households consist of a minimum of two persons while non-family households can be single person households. As would be expected, then, in Palo Alto there are more persons living in family than non-family households. Of the total 58,598 persons in Palo Alto in 2000, approximately 73.5% lived in family households (43,049 persons) and 26.2% (14,881 persons) lived in non-family households. The remaining 1.1% of the population (668 persons) were living in group quarter situations.

In evaluating this data from a historical perspective, it appears that the percentage of persons living in family households decreased between 1970 and 1990 but then increased slightly in 2000. In 1970, 83% of the population lived in family households whereas by 1990 that percentage had decreased to 72.3% before increasing to about 73.5% in 2000. Similarly, the percentage of persons in non-family households increased from 18% in 1970 to 26.2% in 1990 but then increased to 27.7% in 2000.

The trend of having fewer households with children under the age of 18 years at home than other types of family households was also reversed between 1990 and 2000. In 1990, only 32.6% of family households were a married couple with children under the age of 18 years. By 2000, the percentage of such households increased to 38.8%. Another, perhaps more

significant change for the future of housing in Palo Alto was the increase in the number of single parent households. In 1990, 7% of the family households were single parent households (primarily female-headed) with children under the age of 18 years at home. By 2000, the percentage of single parent households (again, primarily female-headed) increased to 12% Approximately 60.4% of all family households in 1990 were households with no children under the age of 18 years. (These households are primarily married couple households and the assumption is that either they are living by themselves or with other family members.) In the year 2000, 50.8% of all households in Palo Alto contained children under the age of 18. These statistics indicate that a resurgence of the family occurred in Palo Alto between 1990 and 2000. This resurgence may have impacts on the City's housing needs in the near future for family households, particularly those headed by a female single parent.

Households by Income Level

Generally, Palo Alto households have higher than average median family incomes. The 1990 U.S.Census data indicated that the median family household income in Palo Alto was $68,737. This was considerably more than the median family household income of $53,670 for the County of Santa Clara for the same time period. In 2000, Census data indicates that the median family household income for Santa Clara County was $74,335 and the City of Palo Alto's median family household income was $90,377. Palo Alto households maintained their previous proportional advantage in higher family incomes.

According to the 2000 Census, while there were many high income households in Palo Alto, there were also households on more limited incomes. An interesting statistic from the 2000 Census data is that 14% of all Palo Alto households reported that their annual household incomes were less than $25,000. This percentage is similar to the countywide average of 13% of all Santa Clara County households reporting incomes of $25,000 or less. In other words, Palo Alto had the same proportion of households with limited incomes as the County as a whole in 1999. However, Palo Alto also had over twice as many households proportionally who had incomes over $200,000 in 1999 than the rest of the County. It should be noted, however, that a $25,000 annual income would not be an accurate reflection in the year 2000 of the number of lower or "limited" income households in Palo Alto. For example, HUD considers a family of four earning $43,500 or less and a single person earning $30,450 or less very low income households. A $25,000 income would be inadequate to meet the housing and other needs of most households in Palo Alto.

Illustration #5: Household Income Distribution, 1999

	$25k	$25k-50k	$50k-100k	$100k-200k	>$200k
City of Palo Alto	14%	15%	26%	29%	17%
County of Santa Clara	13%	18%	34%	27%	8%

Source: 2000 US Census Data

The definition of income level varies depending on the government entity or the program. For housing purposes, the jurisdictions in Santa Clara County, including Palo Alto, use

HUD's determination of County median income ($87,000 for a family of four in 2000) and its definition of household income levels described below:

Very Low-income:
Households with incomes between 0-50% of County median family income.
2000 limit for a family of 4: **$43,500**

Low-income:
Households with incomes between 51-80% of County median family income.
2000 limit for a family of 4: **$69,600**

Moderate-income:
Households with incomes between 81-120% of County median income.
2000 limit for a family of 4: **$104,400**

Above-Moderate Income:
Households with incomes greater than 120% of areawide median family income.

As noted, various agencies and programs use different definitions of household income. In Palo Alto, the following modifications applied in 2000:

Federal:
CDBG and HUD Section 8 rental programs: Low-income maximum was 66% of County median income with a 2000 limit for a family of 4 of $53,853 . Low-income Housing Tax Credit and HUD HOME Program: Low-Income maximum for rental units is 60% of County median income with a 2000 limit for a family of 4 of $52,200.

Local:
City of Palo Alto BMR Program: Moderate-income for ownership program is 80-100% of areawide median family income. The 2000 limit for a family of 4: $87,000.

The federal government adjusts income limits on a regular basis to reflect changes in household income levels. Listed below are the maximum income levels for very low- and low-income households for Santa Clara County, including the City of Palo Alto for 2000.

Illustration #6: HUD Annual Household Income Limits, 2000

Persons in Household	Very Low-income Maximum (50% *of Median Income)*	Low-income Maximum *(66% of Median Income)*
1	$30,450	$39,850
2	$34,800	$45,550
3	$39,150	$51,250
4	$43,500	$56,950
5	$47,000	$61,500
6	$50,450	$66,050

Note: 2000 Santa Clara County median income for a family of four is $87,000

Using 2000 U.S. Census data, there were 6,387 households earning less than $45,000 (approximately 25% of Palo Alto households) and an additional 2,257 households earning less than $60,000 (approximately 9% of Palo Alto households). Applying the federal HUD definition of income to the 2000 Census, listed below are the maximum income levels for households in Santa Clara County based on a countywide median income of $74,335. Very low and low income households represented approximately 34% of all Palo Alto households.

Very Low 0-50% of County Median Household Income	= $37,177
Low 51-80% of County Median Household Income	= $59,484
Moderate 81-120% of County Median Household Income	= $89,202
Above Moderate >120%	= >$89,202

Note: 2000 Census definition of household includes all the people who occupy a housing unit as their usual place of residence.

Employment Trends

In its document entitled ***Projections 2000***, the Association of Bay Area Governments (ABAG) estimated that 98,450 jobs would be contained within Palo Alto's jurisdictional boundary by the year 2000, an increase of over 7,000 jobs from the 91,370 jobs estimated to be in Palo Alto in 1995. This estimate reflects the economic boom Santa Clara County was undergoing in the last half of the 1990s. Since the middle of 2000 and through the first half of 2001, there has been an economic downturn in the high technology and manufacturing sectors which has reduced the number of jobs in the County and Palo Alto. The exact job reduction is not yet known and the duration of the economic downturn cannot be accurately projected. However, it is likely that Palo Alto currently contains at least 92,000 jobs (slightly more than it had in 1995) and that it will eventually contain 98,000-99,000 jobs within the next several years if the economy recovers in the near term. ABAG projects that over 50% of all new jobs in the region will be in the service sector, 11% in the retail sector, 19% in the professional and other sectors. Palo Alto's job growth will probably be close to this estimated distribution.

What is important about these employment trends is that Palo Alto will continue to maintain its jobs/housing imbalance heavily skewed to the jobs side of the ratio. Palo Alto currently houses about 3.5% of Santa Clara County's population but contains about 9.1% of all the County's jobs. According to ABAG's ***Projections 2000***, Palo Alto was expected to house 44,300 employed residents in its Sphere of Influence (SOI) which includes Stanford University which is outside the city limits of Palo Alto. Total jobs in the SOI were estimated at 106,690 by the year 2000. These two figures indicate that Palo Alto was expected to have a job/housing ratio of 2.4 jobs to every employed resident by the year 2000. This, in turn, means that Palo Alto must import most of its workers to meet the needs of business and industry and indicates that there is probably a large unmet need for worker housing in the City. Since many of the Palo Alto's workers can not live in the City, the situation creates negative impacts such as long commutes for workers both inside and outside the region, substantially increased traffic congestion during peak commute periods, and increased air

pollution and energy consumption. The production of additional housing is a means for avoiding these situations.

Households with Special Needs

There are certain households within a community that typically have special housing needs. In Palo Alto, those households which have been identified as having special housing needs include:

1. Elderly Households,
2. Single Parent Households,
3. Disabled Households,
4. Overcrowded Households, and
5. Homeless Households.

In addition to the special needs households listed above which exist in Palo Alto, State housing element law requrires the City to investigate and describe the needs of farmworker households which do not exist in Palo Alto.

Information about each of these households is described in more detail in the paragraphs that follow. A general description of each of these household types is provided as well as a summary of the current resources available and a summary of their more significant housing needs.

1. Elderly Households

a) Description of Elderly Households in Palo Alto

The number of elderly persons in the City of Palo Alto has increased over the last three decades. In 1970, elderly (persons age 65 years and older) comprised 10% of the population but, by 2000, that percentage had increased to 15.6% of the total population. The total number of elderly persons residing in Palo Alto in 2000 was 9,140 persons an increase of 5.8% since 1990, which is slightly greater than Palo Alto's overall population increase of 5%. With longer life spans and age expectancies, it is anticipated that the proportion of elderly in Palo Alto's population will continue to increase in future years, particularly given the substantial increase in the City's middle age population over the last decade.

The 2000 Census data indicate that approximately 96% of the people who are 65 years or older in Palo Alto lived in household situations and the remaining 4% were living in group quarters or were institutionalized. There were a total of 6,349 households in Palo Alto that contained individuals 65 years or older. These households represent 25.5% of all Palo Alto households in 2000. Approximately 36% of persons 65 years old or older were in non-family households and 64% were in family households. In 2000, approximately 65% of all elderly non-family household were single females living alone. These female-head of households living alone represented approximately 22% of all elderly Palo Alto residents in

2000. There were 2,591 65-year old householders living alone in 1990. This number increased to 2,736 in 2000, an increase of 5.6%.

Approximately 5% of all elderly (450 persons total) had incomes below the poverty level in 1999. The majority of those persons (254) were over the age of 75 years old. While there was a low percentage of elderly persons living below the poverty level, it is important to note that many elderly households in Palo Alto were still living on limited incomes. For example, the 2000 U.S. Census data also indicates that approximately 54% of all elderly households had incomes that were at the low- or very low-income level. (See page 12 of this document for figures utilizing the HUD definition of income level to the Census 2000 Santa Clara County Household Median Income) There were approximately 2,382 elderly households that had incomes that could be classified as very low-income and another 841 households that were low-income.

The majority of Palo Alto elderly households are homeowners. Approximately 70% of all elderly households live in owner-occupied housing units;16% of elderly households living in owner occupied housing units were paying more than 30% of their income for housing in 2000. The remaining 30 % of all elderly households are renters and approximately 65% of all elderly household renters were paying more than 30% of their income for housing in 2000.

Year 2000 Census data confirms that the 1990 income and housing cost trends have continued for the elderly. The substantial increase in housing costs over the last few years, the increase in the elderly population and the percentage of elderly living on fixed incomes has resulted in more elderly households currently overpaying for housing.

b) Resources Available to Elderly Households

Listed on the next page (Illustration #7) are existing housing developments in the City of Palo Alto that are specifically designed for elderly households.

In regard to supportive living facilities for elderly, there are nursing care facilities as well as non-profit and for-profit residential care facilities in the City of Palo Alto. Lytton III provides skilled nursing care for approximately 145 elderly persons. Lytton III is part of the Lytton Gardens complex (Lytton I, II, III and IV [Lytton Courtyard]) which is the only development in Palo Alto that provides a full range of living options for lower income elderly from independent living to assisted living to skilled nursing care.

Illustration #7: Independent Living Facilities for Elderly City of Palo Alto, 2000

Development	Total Units	Senior Units	Income Level Served
Independent Living (No Meals or Other Services)			
1 Palo Alto Gardens	156 units	128 units	Very Low-income only
2 Sheridan Apartments	57 units	57 units	Low-income
3 Terman Apartments	92 units	24 units	Very Low-income only
4 Webster Wood	68 units	4 units	Low-Income
5 Arastradero Park	66 units	13 units	Low-income
6 Colorado Park	60 units	8 units	Low-Income
Independent Living (Some Meals Provided)			
7 Stevenson House	128 units	128 units	Lower-income only
8 Lytton I and 11	268 units	268 units	Lower-income only
9 Lytton Courtyard	51 units	51 units	Lower-income only
TOTAL	**946 units**	**681 units**	

Source: City of Palo Alto, "Consolidated Plan July 1, 2000 to June 30, 2005", Pg. 25

Listed below are the residential care facilities for elderly in Palo Alto.

Illustration #8: Residential Care Facilities for the Elderly, City of Palo Alto, 2000

Name of Facility	Persons Served	Type of Facility
Casa Olga	103	Intermediate Nursing Care
Channing House	21	Nursing Facility
Channing House	285	Residential Care Facility (Asst. Living)
Lytton Gardens Community Care	55	Residential Care Facility (Asst. Living)
Lytton Gardens	145	Nursing Facility
Webster House	74	Residential Care Facility (Asst. Living)
Palo Alto Nursing Center	66	Residential Care Facility (Asst. Living)
Palo Alto Commons	150	Residential Care Facility (Asst. Living)
Pleasant Manor	6	Residential Care Facility (Asst. Living)
Sandy Oak Place	6	Residential Care Facility (Asst. Living)
The Birches Residential Care	6	Residential Care Facility (Asst. Living)
May Care	6	Residential Care Facility (Asst. Living)
Sevely Manor Guest Home	6	Residential Care Facility (Asst. Living)
Sweet Little Home	6	Residential Care Facility (Asst. Living)

Source: City of Palo Alto, "Consolidated Plan July 1, 2000 to June 30, 2005", Pg. 26

c) Housing Needs of Elderly Households

The 2000 U.S. Census data indicated that approximately 65% of all elderly renter households were paying more than 30% of their income for housing. 2000 Census confirms that the number of elderly renter households overpaying for housing has increased given the increase in both the number of elderly households and the increase in housing costs since 1990. Therefore, providing affordable housing for the elderly is one of the more significant housing needs of this household category.

In addition, the federally required "Consolidated Plan July 1, 2000 to June 30, 2005", which is prepared by and for the City of Palo Alto, has estimated an unmet need for additional supportive housing facilities for elderly and frail elderly households in Palo Alto. The Plan has identified a need for an additional 260 units of assisted living facilities and additional 235 units provided with skilled nursing care or 24 hour care facilities.

2. Single Parent Households

a) Description of Single Parent Households in Palo Alto

There were a total of 25,216 households in Palo Alto according to the 2000 Census and, of these households, approximately 14,593 were "family" households. Single parent households represented 8.2% of all family households in 2000 an increase over the 7% proportion in 1990. There were 1,201 single parent households in 2000. 293 single parent households were headed by a male parent and 908 had a female-head of household. Single parent household as used in this document is defined as a family household with one or more children under the age of 18 years and headed by either a female or male head of household with no spouse present.

Lower household income is one of the more significant factors affecting single parent households. For example, married couple families in Palo Alto reported a mean family income of $101,537 for 1990 census purposes. Single parent family households, however, were significantly lower for the same data collection period. Male single parent households had annual family incomes of approximately $49,193. Annual mean household income for female single parents in Palo Alto was $36,651 or slightly over one-third that of a married couple family. Limited household income levels affect the ability of these households to locate affordable housing and, consequently, this is one of the more significant housing problems of this household category. Year 2000 Census data is not yet available to confirm these same proportional income differences between married couple and single parent households but it is probable that such differences continue since a substantial proportion of married couple households have two wage earners while single parent households, by definition, only have one.

b) Resources Available to Single Parent Households

In past years, the City provided financial assistance to a non-profit agency, "Innovative Housing, Inc.," to administer a shared housing program. Typically the households participating in the program were single parent households with 40% male parents and 60% female parents. In November 1996, Innovative Housing ceased operations due to a lack of funding to cover their operations in the Bay Area. Other agencies are being sought to provide this service.

c) Housing Needs of Single Parent Households

Affordable housing is one of the more significant needs of single parent households. Many times, their limited household incomes constrain the ability of single parent households to

"afford" housing units. Consequently, these households may have to pay more than they can afford for housing for themselves and their children. Or, they may have to rent a housing unit that is too small for their needs because it is the only type of housing they can afford. Other housing related needs that affect single parent households include assistance with security deposits, locating housing that is close to jobs, availability of child care services and proximity to transit services. Clearly the need for more affordable housing for single parent households has grown since the number of these households increased by about 73% over the last decade.

Without affordable housing and supportive services, many single parent households are at a higher risk of becoming homeless. Single parent families are fastest growing segment of the homeless population. According to the "1993 Santa Clara County Children's Report Card", 52% of homeless families in the County were headed by single parents.

3. Disabled Households

a) Description of Disabled Households in Palo Alto

Disabled households include households who have family members that have physical disabilities or mental illness or disability. The 2000 Census provides disability data by age and type of disability but not by household. According to the 2000 U.S. Census data, 2,426 persons had a disability that affected their ability to work. Information is not available about the type of household they live in, their income level or how their disability affects their housing needs. Generally, it can be assumed that persons with disabilities have lower incomes especially if their disability affects their ability to work. It is possible, of course, that some individuals have both a physical and mental disability but census data does not provide that level of specificity. In addition to employment disability, the Census tallies sensory, physical, mental, self care, and go-outside home disabilities by age groups. It is also possible that some individuals meet more than one category.

b) Resources Available to Disabled Households

Palo Alto has a few subsidized housing units specifically designed for persons with physical disabilities. Title 24 in the State of California relating to handicap accessibility and the federal Americans with Disabilities Act (ADA) have resulted in an increase in these opportunities. Subsidized projects that have units specifically designed and adapted for persons with physical disabilities include California Park Apartments (1 unit), the Barker Hotel (5 units), and 330 Emerson Street (1 unit). Other projects, such as Lytton Courtyard, include units that can readily be adapted for persons with physical disabilities. The Alma Place SRO has 101 handicap adaptable units and 6 fully accessible units.
Page Mill Court housing for the developmentally disabled has 16 of 24 units fully accessible and 8 units adaptable. A few older projects have had units adapted within the limitations of their existing construction including Webster Woods, Terman Park and Sheridan Apartments.

Alliance for Community Care, Inc. provides treatment, support and rehabilitation counseling services for persons who have been affected by serious psychiatric disabilities. Their La Selva facility serves 12 adults and their Middlefield Road House serves six. Although their programs and administrative offices are based in San Jose, there is a service and treatment office in Palo Alto. They operate a licensed group home in Palo Alto, as well as an independent shared living house. Adolescent Counseling Services, Inc. operates a residential program for teenage youth with severe behavioral or emotional problems. Their Caravan House serves up to six young people between the ages of 12 and 17. The Veterans Workshop operates two group homes for veterans with disabilities serving a total of about 11 adults.

The City of Palo Alto provided funds to help acquire and rehabilitate two facilities for the disabled A 6-unit apartment structure in Sunnyvale (1215 Cortez Drive) serves adults with developmental disabilities and a 5-unit facility on Pettis Avenue in Mountain View provides housing for developmentally disabled females.

c) Housing Needs of Disabled Households

Individuals with physical disabilities are in need of housing units that have been modified to improve accessibility. Examples of modifications that are helpful include widened doorways and hallways, bathroom and kitchen modifications (lowered counter heights, accessible tubs/ showers and toilets, etc.) entry and exit ramps, modified smoke detectors and alarm systems for individuals with visual or hearing impairments, and other improvements.

A priority need for households with disabilities is housing near transit and jobs. Persons with physical disabilities may need housing that is connected to the provision of individualized services including training, counseling, information and referral services, and rent subsidy services that allow the physically disabled to live in the community. For individuals with a disability that affects their ability to work or who live on a fixed income, affordable housing is a high priority. Agencies that provide supportive services to the disabled population have been discouraged by the high cost of rental housing in Palo Alto. In fact, the City has continued to provide funding to several agencies to help acquire housing units in nearby communities because of the lack of affordable housing units in Palo Alto.

4. Overcrowded Households

a) Description of Overcrowded Households in Palo Alto

An overcrowded household is one in which there is more than one person per room in the living structure (usually "room" is defined as any room in the structure except for kitchen or bathrooms). On a statewide basis, it was estimated in 1989 that 7% of all California households lived in overcrowded housing. (Source: California Statewide Housing Plan Update, 1990, State of California Dept. of Housing and Community Development). The Census 2000 Data indicates that approximately 15% of all California households lived in overcrowded housing.

According to the 1990 U.S. Census approximately 655 units or 2.7% of Palo Alto's total occupied housing units were overovercrowded with more than one person per room. 2000 U.S. Census indicates that approximately 4% or 1,057 housing units of the City's total occupied housing units were overcrowded with more than one person per room. Of these 1,057 units, 516 were "severely overcrowded" with more than 1.51 persons per room. The majority (425 units) of these severely overcrowded units were occupied by renter households. In fact, renter households have a higher incidence of overcrowding than owner households. Approximately 76% of the total 1,057 overcrowded units are occupied by renter households. In regard to age of the residential structure, overcrowded households are found in both older as well as newer housing units in the City. While 89% of the overcrowded households live in units that were built since 1940, this proportion reflects the fact that 84% of the units in the City were built since 1940. Therefore, the age of the housing units is not statistically significant in regard to overcrowded households in Palo Alto

Overcrowding is not as serious a housing problem in Palo Alto as it is in Santa Clara County as a whole or as it is in nearby cities such as Mountain View and San Jose. For comparison, approximately 23% of all rental units in Santa Clara County (52,993 overcrowded rental/227,227 rental units), 17% of all rental units in Mountain View (3,039 overcrowded rental/18,250 rental units), and 29% (30,939 overcrowded rental/105,592 rental units) of all rental units in San Jose are considered overcrowded.

Households do not typically choose to be overcrowded but end up in that situation because they cannot afford a housing unit that is appropriate in size to their needs. Traditionally, large households (households of 5 or more persons) have difficulty in securing and/or affording housing units of 3 or more bedrooms partially because of an insufficient supply of 3+ bedroom units. Large renter families, in particular, have difficulty in finding rental housing stock that is appropriate for their household size and also affordable. The 2000 data indicate that there were 1,576 households in Palo Alto that had 5 or more persons. Approximately 27% of these households or 422 households total were renter households. Moreover, small households in Palo Alto have difficulty in finding appropriate size rental housing due to the high cost of housing. 2000 Census data confirms that the combination of factors including increase in household size, an increase in the number of households with children, and the substantial increases in housing costs in the 1990s may have led to a greater overcrowding problem than it was in 1990.

b) Resources Available to Overcrowded Households

The 2000 U.S. Census data indicate that there were 1,651 rental units that had 3 or more bedrooms in the City of Palo Alto. These 1,651 units represent 15.1% of all rental units in the City at that time. The same data source reported that there were 1,576 large households (households of 5 or more persons) and that 422 of these households were renter households. Therefore the raw statistics would indicate that there appear to be sufficient existing units that are appropriate in size for large households. However the cost to rent these units may be prohibitive for some households. In 1990, 78% of these 3+ bedroom rental units identified

above had monthly gross rents in excess of $1,800 per month. By March 2001, the average rent for a 3-bedroom apartment increased to $2,992 per month (Source: REAL FACTS). This situation makes it extremely difficult for lower income families to find adequate housing.

There are units in some of the assisted housing developments in the City that are both large in size and affordable. As an example, the Arastradero Park development includes fourteen 3-bedroom units and four 4-bedroom units. However, given the rapid rise in the rents of large apartments, more family sized apartments are needed to help keep rental costs down as well as reduce overcrowding.

c) Housing Needs of Overcrowded Households

The most obvious need, of course, for large and overcrowded households is the need for housing units that are adequately sized for the family. Typically there is a need for 3, 4 and 5-bedroom housing units for households that are overcrowded due to family size. Because these types of units are usually expensive to rent or buy, overcrowded households are in need of affordable and large housing units. And, as noted above, small households in Palo Alto are also overcrowded because of the high cost of housing. Therefore, affordable housing, primarily affordable rental housing, is a significant need for overcrowded households and, in fact, this need is becoming more critical given the near doubling of rents for all units between 1996 and 2001.

5. Homeless Households

a) Description of Homeless Households in Palo Alto

It is very difficult to develop a precise and realistic description of homeless households in a community. This is due to several reasons but one of the more significant is the lack of good data on the number and type of homeless households. The 1990 U.S. Census attempted to identify homeless households during their "S-Night" count on March 20-21, 1990. During the evening hours of March 20 and the early morning hours of March 21, census takers attempted to count the number of persons in emergency shelters and persons visible in street locations. However, even the Census Bureau cautions users of this data that the data is not considered to be complete and that there were probably many more homeless persons than reported in this survey. Indeed, in Palo Alto, the 1990 U.S. Census data reported that there were only 13 persons in shelters and 11 persons visible in street locations. It is generally acknowledged by homeless service providers that these numbers significantly underestimate the actual count of homeless persons in Palo Alto.

In 1995, the cities of San Jose, Santa Clara, Palo Alto, Mountain View, Sunnyvale, and Gilroy, and the County of Santa Clara, jointly funded and participated in a survey of homeless individuals and families in Santa Clara County. The survey consisted of a questionnaire that was administered to a sample of the homeless population in the County. Unlike a census, which counts the entire population in a group, a sample survey reaches only a subset of the total population. The survey process consisted of on-site interviews with

individuals at various public street locations throughout the County and on-site interviews with individuals at all of the emergency shelters, youth outreach centers, and transitional housing facilities. The survey interviewed a total of 1,149 homeless individuals and resulted in the following information:

- Approximately 1,700 homeless persons were estimated to be without shelter at the time the survey was taken.

- The total "sheltered" at the time of the survey was estimated at 2,024 resulting in a total homeless count of 3,724.

- The number of children who are homeless comprised 19% of the total sample count and 74% of these children were under the age of twelve.

- The number of working homeless doubled from 12% identified in a 1989 report to 24% in the 1995 report.

- Mental illness and substance abuse are problems that continue to be a significant factor for the County's homeless population.

- The length of time in homelessness appears to be increasing. Over 41% of the respondents reported being homeless for more than one year – an increase of 40% over the 1989 survey of the homeless.

- The survey indicates the ethnic background of the participants as: 26% White, 57% African-American, 13% Hispanic, and 4% other.

The "1995 Overview of Homelessness in Santa Clara County" estimated that, based on turnover rates in shelters and adding in the approximately 8,800 AFDC single head of household with children who requested homeless assistance for fiscal year 1994-95, there probably were a total of 16,300 persons in the County who experienced a period of homelessness for that year, from less to a month to more than a year.

The Palo Alto sample represented about 4.2 percent of the total survey population or approximately 48 people. This would translate into about 72 people if this percentage were applied to the 1,700 homeless people estimated to be in the County in 1995. However, there is no accepted method for allocating the estimates of the number of homeless to individual cities. Due to the transitory nature of homelessness, it cannot be described with any meaning except on a countywide basis. From the perspective of a city like Palo Alto, which is located on the border between two counties, homelessness should be studied from a sub-regional perspective.

Another indicator regarding homelessness comes from the Santa Clara County Housing Authority's waiting list information. When the waiting list was open in 1999, respondents were asked whether or not they were homeless. The number of homeless households from Palo Alto on this waiting list was 54. Assuming an average household size of 2.3 persons,

these 54 households represent about 124 people who were homeless and who, at one time, lived in Palo Alto. It is likely that the increase in housing costs during the 1990s is increasing the risk of homelessness for lower income households in Palo Alto and, as indicated earlier, many of the households at-risk of becoming homeless may be female headed, single parent households or large family households that cannot find adequate, affordable shelter.

b) Resources Available to Homeless Households

The City of Palo Alto participates in the Santa Clara County Collaborative on Housing and Homeless Issues, which represents homeless shelters, service providers, advocates, non-profit housing developers and local jurisdictions. The City and the Collaborative follow a "Continuum of Care" approach in addressing the needs of homeless persons. The continuum consists of the following steps in providing homeless resources:

- **Prevention Services**
- **Emergency Shelter**
- **Transitional and Permanent Affordable Housing**

Listed below is a description of the resources available to Palo Alto households according to the "Continuum of Care" approach.

i) Prevention Services:
The goal of this first level of resources is to prevent households from becoming homeless. Households who are "at risk" for becoming homeless are those who are lower income and who have a difficuit time paying for their existing housing. Traditionally, these include households who "overpay" for housing (paying more than 30% of their income for housing) as well as households who experience job termination or reduction or marital separations. Part of the prevention resources are the provision of emergency food and clothing funds as well as emergency rent funds and rental move-in assistance.

In Palo Alto, the Urban Ministry of Palo Alto is the primary provider of services to homeless persons. The Urban Ministry, at their morning drop-in center, coordinates the provision of supportive services, counseling, job labor referral, transportation vouchers, shower passes, mental health services and maintains a message and mails system. On a daily basis, the drop-in center is visited by about 120 persons. Since the drop-in center is located a short walk from the San Mateo County line and adjacent to a major inter-County transit terminal, it is reasonable to assume that some of their clients have connections to other communities and do not solely represent Palo Alto households. The Urban Ministry also coordinates the provision of groceries for needy individuals through the Food Closet located at All Saints Episcopal Church in downtown Palo Alto. The Food Closet serves an average of 90 persons daily. Urban ministries also coordinates a daily hot meal program at various church locations.

The Shelter Plus Care Program, administered by the County Office of Homelessness, provides Section 8 rental subsidies to eligible, case-managed homeless persons with a disability. The program has been successfully implemented in both the Barker Hotel (a rehabilitated 26 unit single room occupancy hotel) and Alma Place (a newly constructed 107 unit single room occupancy residency hotel). Thirteen previously homeless persons are currently housed as a result of the program.

In addition to the case-management provided under the Shelter Plus Care Program, the Palo Alto Housing Corporation provides additional, extensive counseling and supportive services to its residents at the Barker Hotel, the majority of whom were previously homeless, or at-risk of becoming homeless. The program, funded with Palo Alto CDBG funds, has significantly reduced the turnover rate at the Barker Hotel, keeping at-risk persons in their homes.

The American Red Cross distributes emergency assistance funds to families and individuals who are threatened with homelessness. The Red Cross is the local distributor of County Emergency Assistance Network Funds.

ii) Emergency Shelters

The Urban Ministry of Palo Alto operates the "Hotel de Zink" shelter out of twelve churches, using a different church each month of the year. A maximum of 15 adults each night can be provided with emergency shelter. Meals are also provided as part of the service.

Within the County of Santa Clara, there are approximately 662 emergency year round shelter beds and 590 seasonal (winter months) beds. None of these facilities are located in the City of Palo Alto. The City of Palo Alto, in conjunction with other CDBG entitlement jurisdictions, financed the development of Emergency Housing Consortium's Homeless Reception Center in San Jose. The Reception Center operates 150 year-round beds (250 beds during the winter months) and provides intake and assessment services to its clients to ensure that they receive the appropriate level of care. Additionally, Palo Alto assisted in the establishment of the 60-bed Clara-Mateo Shelter, located at the Veterans Administration hospital in Menlo Park. The shelter contains six family housing rooms and six transitional housing rooms. Although the shelter is open to all eligible clients, about two-thirds of the population served is veterans.

The largest shelter for youth in San Jose is the Santa Clara County Children's Shelter, providing emergency shelter for wards of the court (usually victims of abuse or neglect) from newborn to 18 years of age. The facility has a 90-bed capacity and is consistently full. The New County Children's Shelter (completed in 1995) has a capacity of 132 beds and is also located in San Jose. Other shelters for youth include Casa SAY in Mountain View, Emergency Housing Consortium's Youth Outreach Program, and the Bill Wilson Center in Santa Clara.

iii) Transitional Affordable Housing

There are currently no transitional housing shelters in the City of Palo Alto but there are transitional shelters in nearby communities. Listed on the following page are five transitional shelters that could serve Palo Alto households as well as households in the community in which they are located.

Illustration #9: Transitional Housing Shelters (in Nearby Areas)

Name	Operator	Capacity (No. of Beds)	Clientele	Other Services
Haven Family House, Menlo Park	Shelter Network	23	Families	Yes, at site
Redwood Family House, Redwood City	Shelter Network	40	Families	Yes, at site
Reception Center, San Jose	Emergency Housing Consortium	250	Families	Yes, at site
Illinois St. House East Palo Alto	Shelter Network	8	Single Parents	Yes
Clara-Mateo Shelter, Menlo Park	Clara Mateo Alliance	6 (rooms)	Families, Individuals	Yes

Source: City of Palo Alto, "Consolidated Plan, 1995-2000", Pg. 23; "Consolidated Plan: July 1, 2000 to June 30, 2005, pg. 41.

There is only one facility in the City of Palo Alto (see Illustration #10) that provides a managed shared housing opportunity. This facility is oriented to families with children and is typically occupied by single parent households.

Illustration #10: Supportive Shared Housing Facilities, City of Palo Alto

Name	Operator	Capacity	Clientele
Pine St. House	Palo Alto Housing Corporation	3 Households	Small families or individuals

Source: City of Palo Alto

c) Housing Needs of Homeless Households

One of the major causes of homelessness is the lack of affordable housing. Most homeless households are on limited or fixed incomes and cannot afford a housing unit in California's housing market and, especially, in the Bay Area housing market. Permanent affordable housing is the single most important housing need for homeless households. In the meantime, new, small emergency homeless shelters in Palo Alto would be useful in addressing the immediate shelter needs of homeless persons who reside, or who once resided, in Palo Alto, particularly homeless families.

6. Farmworker Households

a) Description of Farmworker Households in Palo Alto

State law requires every jurisdiction in California to assess the need for farmworker housing. In Palo Alto's case, there is no significant need for farmworker housing since there is no significant farmworker or mining population in the City. Although the ABAG's ***Projections 2000*** estimated that there would be about 430 jobs in the Agriculture and Mining sector within Palo Alto's Sphere of Influence in the year 2000, the 2000 Census Data indicates that there are no farmworker households in Palo Alto nor are there any mining operations. ABAG's job assignment is probably the result of the distribution of jobs based on a regional model that does not necessarily reflect the specific employment circumstances of individual communities. There are no large agricultural areas in Palo Alto that are devoted to field crops, orchards or other agricultural uses that would require farmworker labor nor are there any active mining uses that would typically require mining labor; however, there may be Agriculture and Mining sector jobs in Palo Alto related to aspects of this sector not associated with field crops or orchard work or extractive mining work. Palo Alto is nearly built out and highly urbanized. Most large open space areas are located within the baylands or hillsides of Palo Alto and its Sphere of Influence and are set aside for park use, conservation purposes, or open space preserves. Finally, no housing advocate or low-income housing provider in Palo Alto has indicated there is an unmet need in the City for farmworker or mineworker housing.

b) Resources Available for Farmworker Households

Since there appears to be no significant number of farmworkers in Palo Alto, no special housing resources have been identified or set aside for farmworkers. Housing for farmworkers, to the extent that there are any, would be provided through the City's policies and programs that address the needs of lower income households in general.

c) Housing Needs of Farmworker Households

There is no evidence that there is significant need for farmworker housing in Palo Alto.

Households Overpaying for Housing

Census data from 2000 indicates that over 30% of all households in Palo Alto were "cost burdened" or overpayed for housing in 2000 (i.e., paid more than 30% of household income for rent). This information is consistent with the 1990 Census Data. As shown on the chart below, renters were more likely to overpay for housing than home owners.

Illustration 11: Households Paying More than 30% of Household Income for Housing

Renters		Owners		All Households	
Number Overpaying	% of Renter Households	Number Overpaying	% of Owner Households	Number Overpaying	% of All Households
4,262	40.6%	2,752	21.92%	7,014	30.4%

Source: 2000 U.S. Census

Large proportions of the City's low and moderate income households of all types were more likely to overpay for housing (see illustration below), particularly very low- and low-income renter households. Using data generated by the Department of Housing and Urban Development (HUD) for the preparation of the City's 1993-1994 Comprehensive Housing Affordability Strategy (CHAS), Palo Alto determined that about 59% of all households earning 95% of City's Median Family Income (MFI) overpaid for housing in 1990. Seventy-four percent of the renters and 39% of the owners earning 95% or less of MFI overpaid for housing. In 1990, Median Family Income (MFI) for Palo Alto was approximately $68,790. For the purposes of the City's CHAS overypayment analysis, three income categories were used: Very Low-Income (0-50% of MFI or $0 – $34,395), Low-Income (51-80% of MFI or $34,396 - $55,032), and Moderate-Income (81-95% of MFI or $55,033 - $65,350). This is generally the group of households least able to devote 30% or more of their income to housing without significantly affecting other aspects of family health and quality of life. Further, since lower income rental households are more likely to pay much higher rents proportionally than other households, the City has focused most of its affordable housing efforts towards increasing the supply of affordable rental housing.

Illustration 12: Households Earning 95% or Less of Median Family Income (MFI) Paying More than 30% of Household Income for Housing

Household Income	Renters		Owners		All Households	
	Number	% of Renters	Number	% of Owners	Number	% of Households
Very Low Income (0-50% of MFI)	1,878	78%	599	44%	2,477	66%
Low Income (51-80% of MFI)	689	75%	174	26%	863	54%
Moderate Income (81-95% of MFI)	462	61%	132	23%	594	45%
Total	**3,029**	**74%**	**905**	**39%**	**3,934**	**59%**

Source: 1993-1994 Palo Alto Comprehensive Housing Affordability Strategy

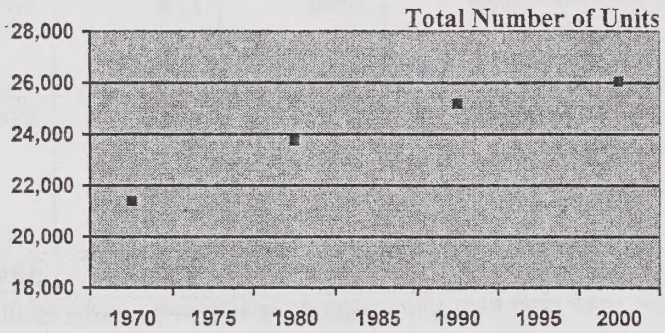
Chapter 3: Housing Stock

Inventory of Housing Units

According to the 2000 Census, there were 26,155 residential units in Palo Alto. This was an increase of 967 units from 1990 when there were a total of 25,188 units in the City.

Illustration #13: Total Number of Housing Units, City of Palo Alto 1970-2000

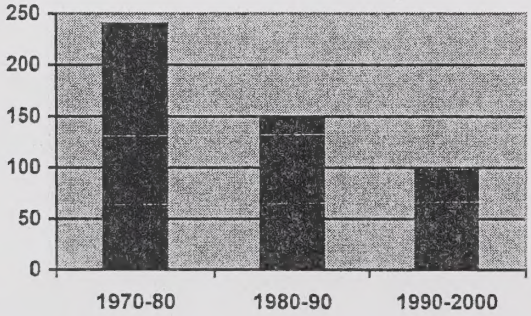
Total # of Units	
1970	21,338
1980	23,747
1990	25,188
2000	26,155



Source: U.S. Census, 1970, 1980, 1990; 2000

In evaluating the rate of housing production from an historical perspective, there has been a significant decrease in the rate of housing produced in the City of Palo Alto over the last three decades. During the decade from 1970-80, the City's housing stock increased by 2,409 units or approximately 240 units per year. From 1980-90 this rate decreased to an average of 144 new units per year or a 10 year total of 1,441 new units added to the housing stock. The 1990-2000 data identified above reflects an even lower rate of housing unit production dropping to an average of 97 units per year.

Illustration #14: Rate of Annual Housing Production, 1970-2000 Annual Rate



There are several reasons for the decrease in housing unit production rates. First, the City of Palo Alto is essentially "built out". Less than 0.5% of the City's developable land area is vacant. The opportunity to annex additional land to the City is limited because the City is surrounded on the east and west by the Cities of Mountain View, East Palo Alto, Menlo Park and Los Altos. The San Francisco Bay frames the northeast boundary while Stanford University borders the southwest boundary. Stanford University is located in the unincorporated area of the County of Santa Clara but also owns parcels of land in the City. In fact, one of the more significant housing projects under construction during the preparation of this Housing Element is the "Stanford West" development on Stanford property located within the City adjacent to Sand Hill Road. This development will generate 628 rental units and a senior housing complex with over 400 units. This is one of the last opportunities for large scale residential development in Palo Alto.

Besides the dearth of available land, another reason for the decrease in housing production was the recession during the early 1990s which affected the value of the housing market and made it less attractive to build housing. That situation changed during the mid- and late-1990s when the Silicon Valley economy boomed with the expansion of the Internet and the significant growth in high technology businesses. As the number of workers and their incomes rose, housing demand increased and so did housing production. However, production could not keep pace with demand thus driving up the cost of housing even more rapidly than the growth of the economy. Land costs increased very rapidly particularly in Palo Alto given the limited supply of available residential land which increased financing costs. These factors combined with increased materials and construction costs made it much more difficult to produce housing, especially affordable housing. And, although the local economy has been slowing since the first half of the year 2000, it is not anticipated that this economic slowdown will substantially decrease the cost of producing new housing.

The availability of land and economic issues will continue to be important variables in determining the amount and the rate of new housing produced in the City. Additional information on land availability and estimates of new housing to be produced during the time frame of this Housing Element can be found in Chapter 5 ("Future Housing Needs") and Chapter 6 ("Housing Constraints").

Housing Units by Type and Tenure

The majority of housing units in Palo Alto are single family units. Approximately 63% of the total housing stock in 2000 was single family units with 94% of those single family units being single family detached units and the remainder single family attached units (e.g. condominium and townhouse units). Multi-family units in structures of 2-4 units represented 6.6% of the housing stock in 2000 and approximately 30% of the housing stock consisted of multifamily units in structures of 5 and more units. Mobile homes represented less than 1% of the total housing stock. The illustration below reflects the 2000 mix of housing types in the City.

Illustration #15: Housing Stock by Type, City of Palo Alto, 2000

Single Family	16,365
2-4 Units	1,728
5+ Units	7,897
Other *(includes 109 mobile homes)*	165
TOTAL	**26,155**

Source: U.S. Census, 2000

Year 2000 Census information confirms that the distribution of housing types changed only slightly with single family units continuing to make up the majority of Palo Alto's housing stock but at somewhat less than the current 64% level in 1990. This is due to the increasing construction of multiple family housing in Palo Alto. For example, between 1996 and 2000 the City built about 335 dwelling units and 212 of these units, or over 63%, were multiple family units.

In 2000, approximately 56.8% of the 25,327 occupied units in the City are owner-occupied. Homeowners live in 14,398 of the City's occupied units and the remaining 10,929 are occupied by renter households. The percentage of owner-occupied units has been slowly but steadily increasing. In 1970, 54% of the City's units were owner-occupied and by 1980 that percentage had increased to 55%. The 1990 owner-occupied percentage was 57% decreasing only slightly to 56.8% in 2000 indicating a leveling off of this trend.

It is interesting to note that the percentage of owner-occupied and renter-occupied units in the City's housing stock is fairly similar to the proportion of owner and renter units in Santa Clara County as a whole. The County's housing stock consisted of 40.2% renter-occupied and 59.8% owner-occupied units in 2000.

In 2000, most of the owner-occupied units in the City were three bedrooms and larger in size. Approximately 78.6% of all owner-occupied units were three bedrooms or larger. The average number of bedrooms in an owner-occupied unit was 3.15 bedrooms while the average bedroom size of a renter-occupied unit was 1.64 bedrooms per unit. Year 2000 Census data indicates that the average number of bedrooms in an owner-occupied unit was 3.16 while the average number of bedrooms in a renter occupied unit was 1.52 It was anticipated that owner-occupied units may be slightly larger in 2000 given the increasing size of single family detached dwellings over the last decade while renter-occupied units in 2000 indicated a slight decrease in the average number of bedrooms from 1990.

Vacancy Rates

Vacancy rates have traditionally been used as a gauge to measure the health of a community's housing market. Low vacancy rates (typically defined as anything less than 3% for homeowner units and 5% or less for renter units) indicate a tight housing market with few vacant units and increasing demand for those vacant units which then drive up rental costs.

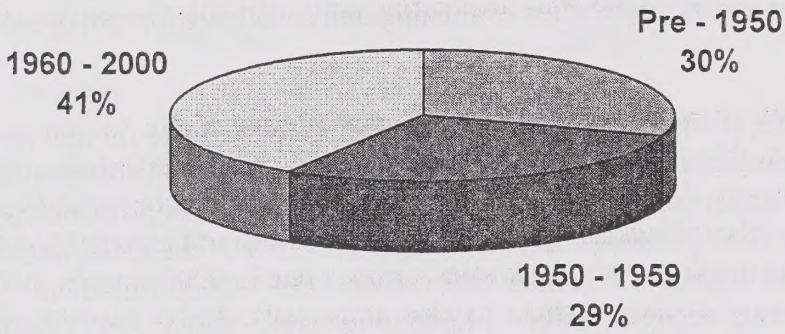
Data from the 2000 U.S. Census indicate that a total of 828 units were vacant out of a total housing stock of 26,155 units. This reflects an overall vacancy rate of 3.17%. However, in looking at this data more closely only 323 of the 828 units were available for sale or rent. The remaining 505 units were vacant but were being used for seasonal, recreational, or other uses. Therefore, the real vacancy rate when evaluating units available for rent or sale is actually 1.2%.

Of the 323 units available, it was calculated that 176 units were available for rent and 147 units were for sale. If the 176 available rental units is added to the occupied-rental housing stock in 2000 of 10,929 units, then the total number of rental units (occupied and vacant) in 2000 was 11,105 units. The 176 vacant units then represent 1.6% of the rental housing stock. By using the same method, the homeowner vacancy rate in 2000 was about 1% (147 vacant units + 14,398 owner occupied units = 14,545 units total). REAL FACTS estimated that occupancy rates for large apartment complexes (50 units or more; 1,943 units total) varied from a low of 98.3% (1.7% vacancy rate) in the middle quarter of 2000 to a high of 99.3% (0.7% vacancy rate) during the fourth quarter. However, during the first quarter of 2001, average occupancy rates decreased to 95.9% (4.1% vacancy rate) reflecting the slowdown in the economy.

Housing Age and Condition

Like many other California communities, Palo Alto experienced a huge spurt of growth in the decade after World War II. Approximately 29% the City's current housing stock was built in the decade between 1950-60. The 2000 U.S.Census data confirmed this by indicating that the median year in which a typical Palo Alto owner-occupied housing unit was constructed was 1954. In fact, the City's housing stock appears to be divided into three periods of construction or age. The 2000 U.S. Census data showed that roughly 30% of the units (7,720 units) were constructed prior to 1950, approximately 29% (7,587 units) were constructed between 1950-59 and approximately 41% (10,848 units) were built after 1959 through March 2000. Year 2000 Census information confirms that the age distribution has changed only slightly with a higher percentage of units in the post-1960 period due to the additional units added between 1990 and 2000 and lower percentages for the pre-1959 periods due to demolitions.

Illustration #16: Year Structure Built, City of Palo Alto, 2000



Source: 2000 U.S. Census

By looking at census data indicators only, Palo Alto's housing stock is not substantially at risk for having severely deteriorated units. The majority of the City's units were built after World War II and so there are limited numbers of very old housing units (50+ years) in the City. Further, the census data indicates that in 2000 only 84 of the City's 26,155 total units lacked complete plumbing facilities.

While a formal "windshield" survey has not been conducted in Palo Alto in recent years, there have been periodic and extensive drive-throughs of the neighborhoods in Palo Alto by both staff and consultants. Because of the high market value and income levels in many Palo Alto neighborhoods, the units generally appear to be in good condition and there appear to be few, if any, pockets of deteriorating units. The City's 1988-91 "Housing Assistance Plan" estimated that only 3% of the City's owner occupied housing stock is substandard. The 3% figure was based on information from the City's Housing Improvement Program, which has now been discontinued, and is the most accurate information available on substandard housing. City staff observations indicate minimal change in the amount of substandard housing since 1991. City staff has also observed that, in Palo Alto there does not appear to be a correlation between the age of a structure and deterioration. Further, the State Department of Housing and Community Development (HCD) reports that Santa Clara County's housing stock is in significantly better condition than other areas of the State.

Assuming that the proportion (3%) of owner-occupied units estimated to be substandard remains the same, only about 432 of the 14,398 owner-occupied units in Palo Alto could be considered substandard. This actual number of substandard homes is probably less, however, given the high real estate values of the City and the high level of investments property owners are likely to spend to maintain these values.

2000 Census data analyzing household income categories in relation to year built of occupied housing units is not currently available but a review of the 1990 U.S. Census data indicates that only 4.5% (598 households total) of all owner occupants in Palo Alto are very low-and low-income and live in housing units built prior to 1940. Another 10% of owner occupants (1,320 households total) are very low- and low-income and live in units built between 1940-59. These data provide an "upper range" or maximum ceiling of rehabilitation need for owner occupied units using the assumption that very low and low-income households often cannot afford on-going maintenance and repair as their units "age" and that these are the types of units most often in need of rehabilitation. The 1,918 units (598 + 1,320 = 1,918) represent 7.6% of all housing units in the City in 1990. Assuming that the proportion of potential housing units needing rehabilitation remained the same, then approximately 1,980 of Palo Alto's owner-occupied housing units may have needed some rehabilitation in the year 2000.

One site which may contain a greater than average proportion of units needing rehabilitation or replacement is the Buena Vista Mobile Home Park. This 4+ acre development consists of both mobile home/trailers and studio rental units. The 2000 U.S. Census reported that there were 156 mobile homes/trailers in the City and it is estimated that 104 of these units are located at Buena Vista. The census data reported that in 2000 none of the 156 mobile homes/trailers were vacant. Many of the units at Buena Vista are older "trailer" units. Typically, these older trailers lack adequate insulation, roofing and foundation and may also have outdated plumbing and electrical systems. Additionally, accessibility (exterior doors and stairs, hallways) is also a concern especially for older and/or disabled occupants. During a recent (July 2001) drive-through of the Buena Vista Mobile Home Park, it appeared that many of the exterior conditions described above have remained the same.

The City's rental housing stock is "younger" than its total housing stock. Census 2000 data indicates that the median year that a renter-occupied unit was built is 1963 while the median for all occupied units is 1957. 75.44% of the renter-occupied units built on or after 1990 were in structures of 5 or more units. Assuming that very low- and low-income renters might be more likely to live in substandard units because of their limited income for housing costs, a review of income status and age of housing was conducted of the 1990 U.S. Census data. This review indicates that the majority (60%) of very low- and low-income tenants in Palo Alto occupied units built after 1960. Another 28% (987 households total) of very low- and low-income tenants were living in units built between 1940-59 while the remaining 13% (462 households total) of very low- and low-income renters lived in units built prior to 1940. Therefore, the census data indicates that most very low- and low-income tenants in Palo Alto live in "newer" units (units built after 1960) and these units are typically assumed to be in no serious threat of being substandard. There are 462 very low- and low-income tenants living in units over 50 years of age and these units are the most likely to be substandard and in need of rehabilitation. There are also 987 very low- and low-income tenants living in units built between 1940-59 and some of these units could also be in need of repair or rehabilitation. The 1,449 total units (462+987=1,449 units) represent 5.8% of all housing units in the City in 1990. Assuming the same proportion (5.8%) of rental units that are

possible, substandard for the year 2000, then approximately 1,463 housing units may have needed some rehabilitation in 2000.

While it does not appear that there is a serious problem with the condition of rental units, it should be noted that the City has been active in trying to maintain the condition of the existing rental housing stock. Using federal funds and bond authority, several rental housing developments in Palo Alto have been rehabilitated in recent years. In 1998-99, the City assisted the Palo Alto Housing Corporation in preserving and rehabilitating the 57 unit Sheridan Apartments and, in 1999-2000, assisted the Mid-Peninsula Housing coalition in preserving and rehabilitating the 156 unit Palo Alto Gardens. The City assisted with the acquisition and rehabilitation of the 66 unit Arastradero Park Apartments in 1995. With City assistance, the Palo Alto Housing Corporation rehabilitated the 10 unit Plum Tree Apartments in 1991 and the 26 unit Barker Hotel project in 1994. The City continues to monitor the maintenance and repair needs of the rental housing stock.

Cost and Affordability of Housing

Housing costs continue to be a concern for California communities, especially in the San Francisco Bay Area. Palo Alto is a very desirable community and, consequently, the cost of housing is especially high and has been rising rapidly. Census 2000 data indicates that the median value for specified owner-occupied housing for Santa Clara County was $446,400. It should be noted however, that according to the Silicon Valley Board of Realtors, the price of both single-family detached dwellings and condominiums/townhouses more than doubled between 1996 and 2000. Single-family detached home prices increased 105% from $490,000 to $1,006,600. Condominium and townhouse prices increased 107% from $264,000 to $546,600 (Source: Silicon Valley Board of Realtors, penwest.com).

Using the 2000 median prices of a single family detached home ($1,006,600) and a condominium or townhouse ($546,600) as examples, the household incomes necessary to purchase a median priced home in Palo Alto can be calculated. Assuming a standard 20% down payment and an 8% mortgage with a 30 year term, a household would need to have an annual income of approximately $275,000 to afford the median sales price of $1,006,600 for a single family detached home. The monthly payment for principal, interest, taxes and insurance is estimated to be over $6,800 per month and assuming that the household would pay no more than 30% of their income for housing costs. Using the same assumptions, the household income required to purchase the medium price condominium or townhome in Palo Alto would be approximately $163,000 per year. This assumes a monthly payment of over $4,000 per month for principal, interest, taxes, insurance and homeowner association dues. Using a family of four as the basis for comparison, a household would have to earn over three times the County's median income to purchase the median priced single-family home in Palo Alto. To purchase a median priced condominium or townhouse in Palo Alto, a four person household would need to have an income of nearly twice the median level.

The information in the above paragraph indicates that households either need a very high household income to afford the median priced housing units in Palo Alto in 2000 or else

would need to have a substantial amount of funds for a large down payment so that the monthly mortgage costs would be reduced. Low- and moderate-income households do not have the household incomes needed to afford these units and, typically, do not have access to large amounts of funds to use for down payments. Therefore, it is very difficult for low- and moderate-income households to afford home ownership in Palo Alto. In fact, unless publicly subsidized in some manner, home ownership in Palo Alto is available only to households with above moderate-incomes.

According to the 2000 Census data, the median gross rent in Palo Alto was $1,349 while the median gross rent for Santa Clara County was $1,185. However, in March 2001, based on a monthly survey of 13 apartment complexes representing a total of 1,943 units in Palo Alto, REAL FACTS reported that the average apartment unit was 856 square feet and rented for $2.93 per square foot or $2,512 per month. The average rent for a 1 bedroom/1 bath was $2,300; a 2 bedroom/2 bath average rent was $3,218/month; and, the 3 bedroom/ 2 bath was $2,992 per month.

Using 2000 median income figures for Santa Clara County, a household of 4 persons could have an income of no more than $43,500 per year to qualify as a very low-income household. By applying the formula that a household should spend no more than 30% of their income for housing, then the very low-income, 4-person household should spend no more than $1,087 per month for housing costs, including utilities.

Illustration #17: 2000 Income Limits/Housing Affordability County of Santa Clara, 4-Person Household

	Maximum Income Limit	Maximum Housing Cost (30% of Income)
Very Low		
0-50% of Median	$43,500	$1,087/month
*Low**		
51-66% of Median	$53,853	$1,346/month
Moderate.		
80% of Median	$69,600	$1,740/month
100% of Median	$87,000	$2,175/month
120% of Median	$104,400	$2,610/month

** In areas with very high median incomes, HUD caps the low-income limit based on the national median income rather than the traditional 80% of County median income.*

Source: U.S. Department of Housing and Urban Development

The chart on the previous page indicates household income levels and maximum "affordable" housing costs for a four person household. In comparing maximum affordable housing costs to the average 2000 apartment rent of $2,512 per month, it appears that the very low- and low-income households are completely priced out of the market. None of

those households can theoretically afford the average apartment rent. These households either have to find a much smaller unit (i.e. studio unit or 1 bedroom unit possibly) or pay more than 30% of their income for housing costs (which is the most likely scenario). In regard to home ownership, these income groups are also unable to compete for home ownership units since their household incomes are significantly below the median priced townhome/condominium or the median priced single family, detached home. Only those four-person moderate-income households earning at least $100,480 (115% of the County median income) appear to be able to afford typical rental rates in Palo Alto; however, home ownership is out of reach since that requires an income of at least $163,000 for a median priced condominium or townhouse.

In summary, home ownership in Palo Alto is expensive and available principally to households near the upper end of above moderate incomes. Without a public subsidy in some manner, the median priced home ownership units in the City require minimum household incomes of $163,00-$275,000 depending on unit type. Only the upper end of the households in the above moderate-income range can "afford" typical rental unit housing costs, but low- and very low-income households have a much more difficult time. Very low-income households, in particular, are much more challenged in finding a rental unit that is affordable and appropriately sized for their household. The recent slowing of the economy and increased vacancy rates may bring about a modest decline in rents and home prices, but not to the extent of substantially improving the affordability of housing in Palo Alto.

Chapter 4: Existing Affordable Housing

The City of Palo Alto has been very active in promoting and supporting the provision of affordable housing. This chapter of the Housing Element Technical Document describes the various housing programs and policies implemented in the City at the time this Element was prepared (early 2002). Also included in this chapter is an inventory of the existing affordable housing units in the City and a description of the various social service agencies that receive City funding and provide housing support services.

City Housing Programs and Policies

1. Below Market Rate (BMR) Program

One of the most significant housing programs adopted by the city is the "Below Market Rate" (BMR) Program. The BMR program was initiated in 1974 as a mechanism to increase the supply of housing affordable to individuals and families with low- to moderate-incomes. When first adopted, the BMR program applied to projects of 20 or more units. In 1976, this was lowered to projects of 10 or more units. In 1990, the threshold was further reduced to apply to projects of 3 or more units. With the adoption of the 1998-2010 Comprehensive Plan and its Housing Element, the threshold was placed at three units for for-sale housing and five units for rental housing. The raising of the threshold for rental projects was done in order to facilitate construction of small rental projects, where the BMR program has limited impact. Based on legal advice, the BMR threshold in the revised 1999-2006 Housing Element was modified to apply to projects of five units or more for both for-sale and rental projects.

The BMR program requires that, in for-sale projects of three or more units and rental projects of five or more units, at least 10% of the units be provided at housing costs that are affordable to low- and moderate-income households. Development on sites greater than 5 acres in size are required to include a 15% BMR component. The priority for the program is to include units spread throughout the community and in all projects. An alternative allows for the developer paying an "in-lieu" fee to the City rather than actually providing the units. These "in-lieu" fees are then deposited in the City's "Housing Development Fund." (See the following page for a further description of this fund.) Program H-31 of the 1998-2010 Comprehensive Plan recommended the adoption of a revised density bonus program that allows for the construction of up to three additional market rate units for each BMR unit above that normally required, up to a maximum zoning increase of 25% in density and allows an equivalent increase in square footage for projects that meet this requirement. The program is consistent with State law. As part of the updated Housing element, the density bonus program has been revised to allow up to a maximum zoning increase of 50% in density. The density bonus program has not yet been codified by the City but will be undertaken as part of the Zoning Ordinance update.

The BMR Program was initiated in 1974. By 2001, there were a total of 152 ownership units and 101 rental units generated by the program. Sales and resales of BMR units are

administered under contract to the City by the Palo Alto Housing Corporation (PAHC), a private, non-profit organization. The BMR Program has generated approximately 9 BMR units per year, on average, since the initiation of the Program. This rate of production has not been sufficient to meet the City's need for affordable housing. To improve the rate of production of BMR units and increase the City's supply of affordable housing, Program H-35 of the updated housing element increases the minimum percentage of BMR units required for most projects from 10% to 15% and increase the minimum percentage of BMR units to 20% for projects five acres or greater in size.

The original goal of the BMR program was to have the initial sales price of BMR ownership units affordable to households whose incomes do not exceed 100% of the median income, adjusted for family size, as established periodically by HUD for Santa Clara County. However, with the proposed increase in the percentage of required BMR units, Program H-35 proposes to allow the BMR units to be affordable to those households earning up to 120% of the County median income to ease the finanicial burden on developers that provide BMR units. For all projects with BMR ownership units, certain restrictions are recorded with the grant deed to ensure that there will be continued occupancy and ownership of the BMR units by low- and moderate-income persons. When a BMR owner wishes to sell the unit, he or she must give the City the right of first refusal to purchase it. The City exercises its option and assigns the right to purchase the unit to a buyer selected by the PAHC (according to guidelines approved by the City). The price at which a unit is resold is calculated based on the increase in the "Consumer Price Index" for the San Francisco Bay Area during the period of ownership. Currently, one-third of the percentage increase in the Index is applied to the purchase price to determine the resale price. For example, if a unit was purchased initially for $100,000 and if the Index rose 15% during the period of ownership then the resale calculation would be $100,000 + (1/3 x 15% x 100,000) = $105,000. Certain substantial improvements and depreciation factors are also taken into consideration in calculating the resale price.

Sales and resales of BMR units are administered under contract to the City by the Palo Alto Housing Corporation (PAHC), a private, non-profit organization. PAHC also maintains a waiting list of people interested in purchasing a BMR unit. According to City policy, priority for ownership of BMR units is given to applicants who live or work in Palo Alto. Further, there are certain household income and asset limitations.

The BMR program also applies to rental projects. Currently, at least 10% of the units in a rental project must be provided as BMR units to households earning between 50% and 80% of the County median income, adjusted for family size. Program H-35 would increase the minimum BMR set aside to 15% of all rental units. The rents are initially established based on HUD Section 8 Fair Market Rents and may be adjusted annually based on one-third of the Consumer Price Index, or other similar formula as adopted by the City Council. Alternatives include payment by the developer of an annual in-lieu fee to the City's Housing Development Fund based on the difference between the initial Section 8 fair market rents and the market rate rents of the units, or a one-time fee based on 5% of the appraised value of the rental portion of the project.

2. City Housing Funds

The City maintains a "Housing Development Fund"which is capitalized from several different resources and contains several "sub-sets" of funds. Basically, the Housing Development Fund consists of the following:

a) Residential Housing In-Lieu funds,
b) Commercial and Industrial Housing In-Lieu funds, and
c) Federal or State housing funds (i. e. CDBG and HOME) as well as program income from past loans or projects.

The Residential Housing In-Lieu Fund consists of fees paid by developers of residential projects under Palo Alto's BMR Program and any miscellaneous revenues designated for housing. When a sufficient level of funds accrue in this account, the City utilizes the funds for affordable housing development. Typically, the fund can be used for acquisition, rehabilitation, new construction, and predevelopment of low-income housing. As of March 31, 2001, the Residential Housing In-Lieu Fund had an unrestricted balance of $1,246,491.

The Commercial Housing In-Lieu fund is capitalized with fees paid by developers/owners of new or expanded commercial or industrial developments, as required by Chapter 16.47 of the Palo Alto Municipal Code. The fees are intended to off-set the below-moderate income residential demands resulting from the increased work force that will be generated by the development. Currently (2002), the fee charged is $15.00 per square foot. Similar to the Residential Housing Reserve fund, the City allocates these funds to affordable housing developments within the community. As of March 31, 2001, the Commercial Housing In-Lieu Fund had a balance of approximately $770,090.

Program H-51 of the Comprehensive Plan proposes that the formula for calculating the commercial and industrial housing in-lieu fee for projects with impacts on housing be periodically reviewed as required under Chapter 16.47 of the Municipal Code to better reflect the impact of new jobs on housing demand and cost.

The third component of the "Housing Development Fund" is State or Federal housing funds and the program income from any past housing loans or projects. For example, the City receives program income from loans made with CDBG funds in previous years. From 1990-2000, the City has received a range of $40,00-100,000 per year in program income from previous CDBG loan awards, primarily to applicants in the City's housing rehabilitation program.

Federal, State, and Other Housing Resources

1. Federal Resources

The City of Palo Alto is an "entitlement" community under the federal Community Development Block Grant (CDBG) Program. As such, the City receives an annual

allocation of CDBG funds to assist with affordable housing opportunities as well as economic development and public services in the community. On an average annual basis, the City has been receiving approximately $700,000 each year in CDBG funds (in fiscal year 2001/02, Palo Alto's CDBG allocation was $771,000). Traditionally, the City has used about 15% of its annual CDBG allocation, per federal regulations to help fund various social service agencies who provide support services to low- and moderate-income households. Examples of some recently funded activities with social service agencies include fair housing counseling, homeless assistance and housing information and referral. In addition, over 50% (62% in fiscal year 2000/01) of CDBG funds are used by the City to provide assistance in the development or rehabilitation of housing that is affordable to lower income households. The City directs the CDBG funds to the City's "Housing Development Fund," which is then used for pre-development expenses, acquisition of land or existing buildings and rehabilitation costs of affordable housing projects.

2. State Resources

The City is also eligible to apply for State of California housing funds. One of the more popular State funds in recent years is the "HOME" program. HOME funds are federal funds that are directly allocated to large urban areas as well as to State governments to then distribute to local communities. These funds can be used for a variety of activities, including the development or rehabilitation of renter or owner occupied housing that is affordable to very low- and low-income households. The HOME program is a very competitive program with many communities applying to the State for a limited amount of funds during an annual competition. Due to excessive demand for the State's HOME allocation, and rating criteria that do not favor areas like Palo Alto, it is difficult to secure an award. Staff will, however, continue to track the Notices of Funding Availability and evaluate all potentially suitable projects to determine whether or not to apply for a HOME grant.

The City has also worked closely with local non-profits to secure other state and federal funding. One of the most desirable programs is the federal Low Income Housing Tax Credit Program. The Palo Alto Housing Corporation used Low Income Housing Tax Credits to build the California Park Apartments project and has received an award for construction of the Alma Place SRO. In addition, Community Housing, Inc. received federal Section 202 funds for the construction of the Lytton Courtyard project, and Mid-Peninsula Housing Coalition received federal Section 811 funds to construct 24 units of housing for the developmentally disabled. The City intends to continue to pursue all sources of funding and to assist local agencies and non-profits in applying for and securing additional financing opportunities.

3. Housing Trust Fund of Santa Clara County (HTSCC)

The HTSCC is a public/private initiative dedicated to creating more affordable housing in Santa Clara County using a revolving loan fund and grant-making program to complement and leverage other housing resources. The City of Palo Alto has contributed $500,000

toward the initial $20,000,000 investment capitalization. This resource is currently available to help leverage new affordable housing projects in Palo Alto.

Affordable Housing Unit Inventory

There are several different "types" of affordable housing units in the City of Palo Alto. Some affordable rental units are owned by non-profit or for-profit developers and, because of the affordability restrictions imposed by funding sources, are affordable to a certain household income level for a fixed period of time. In addition, there are 152 BMR ownership units that are privately owned but are restricted with regard to resale and price to other low- and moderate-income households, and there are another 101 units in the BMR rental housing program. A listing of the locations of these units can be found in Appendix B of this document. Finally, the Section 8 rental subsidy program is operated by the Santa Clara County Housing Authority and provides a rental subsidy to landlords of units who rent to eligible low-income households. Any rental unit in the City can be eligible for occupancy in this program as long as the unit meets certain health, safety and occupancy requirements. According to the Housing Authority, there were a total of 253 households in Palo Alto receiving Section 8 rental subsidy assistance during fiscal year 1999/2000. Of these 253 households, 180 were elderly and/or disabled and the remaining 73 households were family households. Four households were categorized as low-income and 247 as very low-inome.

In September 2000, there were a total of 25 housing developments in the City that included 1,233 units of subsidized rental housing. These developments are owned primarily by non-profits, such as the Palo Alto Housing Corporation, but some are owned by for-profit owners. Appendix B includes a table with the addresses and number of units in each of these 25 housing developments.

Housing Support Services

There are many non-profit groups and organizations that provide housing related support services in Palo Alto. For example, the Palo Alto Housing Corporation (PAHC) was established in 1969 and was formed to encourage and develop low- and moderate-income housing in the City. PAHC has been very active in assisting the City with the BMR Program, acting as a developer/owner of other affordable housing projects, and providing extensive information and referral services on housing in the region. Other organizations that have received City funding assistance to provide housing related support services include the Urban Ministry of Palo Alto, Catholic Charities of Santa Clara County (Long Term Ombudsman Program), Emergency Housing Consortium, Innovative Housing, Outreach and Escort, Mid-Peninsula Citizens for Fair Housing, Senior Coordinating Council (Senior Repair Program), Community Association for Rehabilitation, American Red Cross (Rental Assistance, Single Parent Services), Miramonte Mental Health Services, Peninsula Area Information and Referral (tenant-landlord counseling), Support Network for Battered Women, Mid-Peninsula Housing Coalition (Palo Alto Gardens Apartments, Alliance for Community Care (support services for those with mental disabilities), Clara-Mateo Alliance (homeless), and Shelter Network (transitional housing and services).

The City has provided funding to the agencies mentioned above through CDBG funds as well as City General funds. Palo Alto has a tradition of assisting non-profit groups with funding so that these groups and organizations can also provide support services and direct assistance to low- and moderate-income households in the City.

Chapter 5: Future Housing Needs

According to State Housing Element Guidelines, Housing Elements should include an analysis of the number of housing units to be built, rehabilitated and/or conserved in order to meet the community's current and future housing needs. Following is an analysis of Palo Alto's new construction, rehabilitation and conservation needs.

New Construction Needs

The Association of Bay Area Governments (ABAG) has developed estimates of housing needs for communities in the San Francisco Bay Area for 1999-2006, the time frame of the Housing Element. Under State law, ABAG is responsible for allocating the regional housing need, established by the State Department of Housing and Community Development (HCD) for each region of the state, to each jurisdiction in the San Francisco Bay Area. The allocation process used information from ABAG's ***Projections 2000*** to determine each jurisdictions fair share of the region's housing need. ***Projections 2000*** examines population, household, and job growth; examines various demographic factors (e.g., age and sex of the population); and, reviews transportation patterns and other data. In addition to this data, ABAG considered the land use policies and the land use data of local governments, including the sites available for residential development and the availability of urban services. The housing need determination is primarily based on the number of households each jurisdiction is expected to create between 1999 and 2006. In addition, a weighting factor was given to projected job growth to partially represent the demand for housing generated by this growth. This weighting factor increased the housing need allocation for jurisdictions that were expected to add a significant number of jobs between 1999-2006. The local jurisdictions in Santa Clara County also agreed that, since urbanization should take place only within the urban service areas of the cities, about 75% of the Unincorporated County's Sphere of Influence housing need should be allocated to the cities where these units could be better served and urban encroachments into the County would be better contained.

Using available data and projections based on future employment and population trends, the ABAG estimates that the total projected housing need for Santa Clara County is 57,991 new units for 1999-2006. Palo Alto's share of that total need is 1,397 units or 2.4% of the County's total need.

In addition to the total housing need estimate, ABAG is charged with determining the number of housing units that are needed for each of four household income levels based on County median household income. These income levels are defined as follows: Very Low-Income – 0-50% of County median income; Low-Income – 50-80% of County median income; Moderate-Income – 80-120% of County median income; and, Above Moderate-Income – greater than 120% of County median income. The purpose of this division of housing need by income level is to more equitably distribute the type of households by income category throughout a region so that no one community is "impacted" with a particular household income group and to ensure that each jurisdiction addresses the

housing needs of each economic segment in their communities. Palo Alto's fair share of the region's housing need by income level for 1999-2006 is described in the illustration below.

Illustration #18: ABAG New Construction Need by Household Income Level, January 1, 1999 to June 30, 2006

Very Low-income Households	265
Low-Income Households	116
Moderate-Income Households	343
Above Moderate-Income Households	673
TOTAL	**1,397**

The household income distributions noted above represent objectives that Palo Alto should strive to achieve in meeting its fair share of the region's housing need. Since January 1, 1999, Palo Alto has successfully produced, or has approved, housing units affordable to various income groups. These units are occupied, ready for occupancy, or will be ready for occupancy prior to June 30, 2006. Palo Alto's progress in meeting its fair share of the region's housing need are summarized in the illustration below.

Illustration #19: Progress in Meeting Palo Alto's Fair Share of the Region's 1999-2006 Housing Need by Income Level, 1999-2000

Income Level	1999-2006 Need	1999-2002 Built or Approved Units	Unmet Need
Very Low	265	24	241
Low	116	66	50
Moderate	343	24	319
Above Moderate	673	860	None
TOTAL	**1,397**	**974**	**610**

Eight hundred eighty-four (884) of the 974 units built or approved have been constructed and are already occupied or are ready for occupancy. The remaining 90 units have received building permits and are in the process of being built. Most of these units should be ready for occupancy by the end of 2004.

In reviewing the totals shown in the table above, it appears that Palo Alto has already constructed, or approved for construction, about 60% of its fair share of the region's housing need. However, it should be noted that the totals include 187 more above moderate income units than required by ABAG's assessment of Palo Alto's fair share of the region's housing need for 1999-2006. Only 114 of 724 affordable units needed, or about 16% of Palo Alto's total need for affordable housing, have currently been built or approved for construction. Palo Alto's current unmet housing need for 1999-2006 consists of 610 housing units that need to be affordable to very low-, low- or moderate-income households.

Rehabilitation Need

It is estimated that the rehabilitation need in Palo Alto is low compared to many other California communities. As indicated on page 32 of this document, it was estimated that 3% of the City's owner-occupied housing stock or approximately 437 units might have been considered substandard in the year 2000.

A review of 1990 U.S. Census data indicated that 598 units in the City were occupied by very low- and low-income homeowners and that these units were more than 50 years old (units built prior to 1940). Another 1,320 very low- and low-income homeowners occupied housing units that were constructed between 1940-59. This data provides an "upper range" or maximum ceiling of rehabilitation need for owner occupied units using the assumption that very low- and low-income households often cannot afford on-going maintenance and repair as their units "age" and that these are the type of units most often in need of rehabilitation. The 1,918 units (598 + 1,320 = 1,918) represented 7.76% of all housing units in the City in 1990. Applying this same percentage to the total number of housing units in 2000, it is estimated that approximately 1,980 of the City's owner-occupied housing units might need rehabilitation.

Overall, the rental housing stock in the City was built more recently than the owner occupied units. Information on pages 33-34 of this document summarizes 1990 U.S. Census data and indicates that the "upper range" of rental units that are older and occupied by very low- and low-income households is 1,449 units total or 5.8% of the City's housing stock. Applying this same percentage to the available 2000 Census data, it is estimated that 1,462 of the City's renter-occupied housing units might need rehabilitation.

The information given in the two paragraphs above indicate that the number of housing units needing rehabilitation in Palo Alto may range from 1,462 to 3,542 units. However, there do not appear to be any areas in the City that have concentrations of units that need rehabilitation. In fact, Palo Alto consistently has neighborhoods where the housing units are well maintained and, in many cases, reflect a high degree of pride in ownership. While the census data provides an indication of the range of units that could need rehabilitation using household income data and age of units, "drive-by" inspections of units in Palo Alto indicate that the majorityof the housing stock is in very good condition. The only area of the City that appears to have higher than average incidence of units that may need repair or replacement is the Buena Vista Mobile Home Park, which contains primarily older trailer or mobile home units.

Conservation Need

1. Energy Conservation

By owning and operating its own utilities system, the City is committed to offering its residents a high quality of utility services at the lowest possible cost. The Utilities System attempts to invest in a mix of new energy and water supply projects, operating efficiencies,

and consumer-oriented conservation and solar services, which together will enable local residents to meet their resource needs at a lower cost than in neighboring communities. Energy Services staff of the City have an active role in design review for all new construction, excluding individual single-family homes. Through this review, energy efficiency is assessed and modifications made. Landscape standards are in place that require efficient outdoor water use. Energy services staff are available to assist all property owners, architects, and builders in evaluating building plans and making recommendations for improving energy and water use efficiency.

In addition to its commitment to keep utility costs low and conserve energy, the City established a Utilities Residential Rate Assistance Program (RAP) in 1993, which reduces utility rates by 20% for qualifying households. Originally, qualifications were based on household income (approximately 37% of County median income) or physical disabilities. In 2001, the City extended this program to include households earning 50% or less of the County median income. This program has helped very low-income households pay for a key component of monthly housing costs making it somewhat easier for them to stay in their existing housing.

2. Conservation of Existing Affordable Housing

Conservation of the existing affordable housing stock is critical in today's economic climate. Because of the high cost of housing and lack of vacant land to construct new affordable housing, it is extremely important to preserve and protect those affordable housing units that already exist. State Housing Element Law requires communities to conduct an inventory of affordable units that might be "at-risk" of converting to market rate units within a 10 year time frame of the Housing Element. The inventory is to include all multifamily rental units that have been funded with federal, state or local assistance. A review of multifamily units in Palo Alto indicates that the only units that are at risk are those that have been assisted with federal funds. The only State funded project is the Barker Hotel which was assisted with State of California HOME funds and those units have affordability controls until 2033. The City has a "Below Market Rate" (BMR) program that requires 15% of units to be affordable in projects of five units or more or the payment of an in-lieu fee. The units in the BMR program have resale and affordability controls for 59 years and renew each time the property title is transferred and, therefore, are not at risk of converting to market rate.

Palo Alto has 728 units in 13 developments of very low- and low-income housing that are to varying degrees subject to increases in rent or conversion to market rate housing. These projects are listed in Illustration # 22 on the following page. These projects are assisted in part by HUD with Section 8 project-based rental assistance in which a direct subsidy is provided to the owner. The future of the Section 8 program continues to be in question. Currently, Section 8 contracts are being extended on a year-to-year basis and may be subject to rent increases in the future if the Section 8 Program is eliminated or cut back. Most of the subsidized rental projects fall under this category. There is one project with a for-profit owner considered most at-risk. (Two other formerly at-risk projects owned by for-profit owners, Sheridan Apartments and Palo Alto Gardens, have been purchased by non-profits

with City assistance between 1998-1999 and are no longer considered to be at high risk of conversion to market rate housing.) The remaining units are owned by non-profits and, for various reasons such as relatively low mortgage debt and the non-profits commitment to maintain affordable housing, are considered less at risk of being lost as affordable housing; however, the loss of Section 8 subsidies could result in increased rents, making the units less affordable to very low- and low-income households.

Illustration #20: Summary of Government Assisted Units "At Risk" for Conversions

Project	Owner/Contact	Type of Government Assistance	Previous or Existing Conversion Date/Sec.8 Status	Unit Total and Units Subject to Conversion		Tenant Type
For Profit Ownership (at higher risk of conversion)						
Terman Apartments 655 Arastradero Rd. Palo Alto, CA	Goldrich & Kest 5150 Overland Ave. Culver City, CA	221(d)(4) Section 8	Section 8 Opt:2004	92	72	Family & Elderly
Non-Profit Ownership (at lower risk of conversion: possible risk of higher rents if Section 8 subsidy lost)						
Palo Alto Gardens 648 San Antonio Rd. Palo Alto, CA	Mid-Peninsula Housing Corporation 658 Bair Island Rd., Ste. 300 Redwood City, CA 94063	221(d)(3) Title VI Section 8	1994: Title VI 1998 Section 8 (Section 8 vouchers)	156	156	Family & Elderly
Sheridan Apts. 360 Sheridan Ave. Palo Alto, CA	Palo Alto Housing Corp. 725 Alma St. Palo Alto, CA 94301	221(d)(4) Section 8	Section 8 Opt: 1999 (now year-to-year Section 8)	57	57	Elderly
Lytton Gardens I 656 Lytton Ave. Palo Alto, CA	Community Housing, Inc. 656 Lytton Avenue Palo Alto, CA	236(j)(1) Section 8	Section 8 Opt: 1996-97, 1998 (now year-to-year Section 8)	220	184	Elderly
Colorad Park 1141 Colorado Ave. Palo Alto, CA	Colorado Park Corp. 1141 Colorado Ave. Palo Alto, CA	236(j)(1) Section 8	Section 8 Opt: 1996-97, 1998 (now year-to-year Section 8)	60	25	Family
Adlai Stevenson House 455 E. Charleston Ave. Palo Alto, CA	Palo Alto Senior Housing 455 E. Charleston Ave. Palo Alto, CA	Section 202 Section 8	Section 8 Ipt: 1999 (now year-to-year Section 8)	120	24	Elderly
Elm Apartments 129 Emerson Street Palo Alto, CA	Palo Alto Housing Corp. 725 Alma Street Palo Alto, CA 94301	Section 8 Mod-Rehab	Section 8 Opt: 1997 (now year-to-year Section 8)	11	8	Family
Ferne Apartments 101-131 Ferne Ave. Palo Alto, CA	Palo Alto Housing Corp. 725 Alma Street Palo Alto, CA 94301	Section 8 Mod-Rehab	Section 8 Opt: 1997 (now year-to-year Section 8)	16	5	Family
Lytton Gardens II 656 Lytton Ave. Palo Alto, CA	Community Housing Inc 656 Lytton Ave. Palo Alto, CA	Section 202 Section 8	Section 8 Opt: 1999 (now year-to-year Section 8)	100	100	Elderly
Emerson South 3067 Emerson Street Palo Alto, CA	Palo Alto Housing Corp. 725 Alma Street Palo Alto, CA 94301	Section 8 Mod-Rehab	Section 8 Opt: 2000 (now year-to-year Section 8)	6	5	Small Family

Project	Owner/Contact	Type of Government Assistance	Previous or Existing Conversion Date/Sec. 8 Status	Unit Total	Units Subject to Conversion	Tenant Type
Non-Profit Ownership (continued)						
Arastradero Park Apts 574 Arastradero Road Palo Alto, CA	Palo Alto Housing Corp. 725 Alma Street Palo Alto, CA 94301	Section 8 Sec. 236(j)(1)	Section 8 Opt: 2000 (now year-to-year Section 8)	66	48	Family & Senior
Curtner Apartments 300-310 Curtner Ave. Palo Alto, CA	Arastradero Park Apts. C/o Palo Alto Housing Corp. 725 Alma Street Palo Alto, CA 94301	Section 8 Mod-Rehab	Section 8 Opt: 2001 (now year-to-year Section 8)	9	9	Family
Oak Manor Townhomes 630 Los Robles Ave. Palo Alto, CA	PAHC Apartments, Inc. C/o Palo Alto Housing Corp. 725 Alma Street Palo Alto, CA 94301	Section 8 Mod-Rehab	Section 8 Opt: 2008	33	23	Family
TOTAL				**946**	**716**	

3. Description of "At Risk Units"

In the past, the subsidized rental projects in Palo Alto could have been divided into two categories: those that areTitle VI (National Housing Act of 1990) eligible and those that have Section 8 Project Based Subsidies. With the acquistion of Palo Alto Gardens by the Mid-Peninsula Housing Coalition, there are no Title VI eligible projects remaining in Palo Alto. All other "at-risk" projects that have Section 8 Project Based subsidies are organized below according to their existing or previous funding source.

Expiration of Section 8 Project Based Subsidies:

Section 8 rental subsidies are subsidies provided directly to the project owner and the amount of the subsidy is typically determined based on the tenant's income and the rent charged. The subsidy helps tenants "afford" their monthly rent by paying a portion of the rent for them to the property owner. HUD and the property owner enter into a contract for a specified period of time during which Section 8 rental subsidy assistance will be provided. The owner was formerly able to renew the Section 8 assistance in periods of 5-15 years, depending on the contract. Currently, HUD only renews Section 8 assistance on a year-to-year basis, subject to Congressional funding. It is not known how long this year-to-year renewal will continue.

During the next decade, three projects in Palo Alto will have their current Section 8 Project Based Subsidy contracts either expiring or up for renewal. The effect of a loss of Section 8 subsidies differs depending on many factors including the underlying mortgage assistance, the percentage of households receiving rental assistance and their income levels, and each project's annual operating costs. Following is a description of the principal types of mortgage assistance which financed the affected projects.

Sec. 221(d)(4) Projects

The Terman Apartments complex is the only remaining project with a Section 221(d)(4) market rate mortgage with Section 8 project based subsidy. A 221(d)(4) project uses market rate mortgages with FHA insurance. This type of mortgage has no underlying mortgage prepayment restriction which requires continued affordability. Therefore, the units in this project could be rented at market rate and there would be no requirement that the tenants be low-income.

The only other Section 221(d)(4) project in Palo Alto, the Sheridan Apartments, was recently acquired by the Palo Alto Housing Corporation with assistance from the City of Palo Alto using available CDBG funds. This project is no longer considered "at-risk" of converting to market rate units. The Terman Apartments are the only remaining subsidized rental units seriously "at-risk" of conversion.

Section 8 Moderate Rehabilitation Program Projects

Under this HUD program, HUD offered 5 to 10 year contracts for Section 8 assistance to owners of existing rental housing occupied by eligible very low- and low-income households if the owner performed at least a minimum amount of property rehabilitation. In many cases, the rehabilitation work was funded by loans from local housing programs using CDBG funds or other HUD funds. The effect of a loss of Section 8 assistance depends on the specific financial circumstances of each project, especially the degree to which the owner's ability to cover debt service and operating costs depends on the revenue from the Section 8 rental contract.

There are only two remaining Section 8 Moderate Rehabilitation Projects in Palo Alto that have not yet had their original Section 8 contracts expire, the Curtner Apartments and the Oak Manor Apartments, and both are owned, or controlled by, the Palo Alto Housing Corporation (PAHC). The remaining Section 8 Moderate Rehabilitation Projects have their Section 8 contracts renewed on a year-to-year basis and all of them are also owned or controlled by PAHC. The Section 8 contract assistance enables PAHC to provide affordable housing to very low-income households. Without the Section 8 assistance, PAHC would need to increase the rents paid by the tenants, which would mean that occupancy would shift to somewhat higher income households over time. However, since these properties carry relatively low amounts of amortized mortgage debt, PAHC should be able to maintain them as affordable rental units for low-income households even without the Section 8 assistance. At present, HUD continues to offer owners of 5 or more units a one year extension of their Section 8 contract.

PAHC controls two larger projects which would be much more seriously affected by non-renewal of their Section 8 contracts. These projects are Arastradero Park Apartments and Oak ManorTownhomes. Both projects were acquired and rehabilitated by PAHC under complicated financing structures in which loans, funded from tax-exempt bonds, covered a major portion of the costs. Rental income, on par with the current Section 8 contract level, is needed for PAHC to continue to meet operating costs and repay the loans. In the case of Arastradero Park the current Section 8 contract rents exceed the rental value of the units on the open market. Since the FHA insured the Arastradero Park mortgage, HUD would probably be forced to offer PAHC some type of mortgage reduction in return for loss of the rental subsidies to avoid a default and a claim on the FHA insurance fund. However, Arastradero Park has been operating under a year-to-year renewal of its Section 8 contract.

4. Cost Analysis

The cost to conserve the units in the developments that have Project Based Section 8 Subsidies as very low-and low-income housing is as varied as the projects themselves. Some of the developments have zoning controls or deed restrictions, some have longer term contracts and some have low mortgage debt; however, as noted previously, replacement is extremely difficult given the scarcity of available land. Most of these projects have been able to extend their Section 8 contracts on a year-to-year basis. The units most at risk are

those in the Terman Apartments owned by a for-profit corporation. In 1998-99, the City of Palo Alto assisted in the purchase and conservation of Palo Alto Gardens and the Sheridan Apartments.

The Palo Alto Gardens contains 156 units originally financed in 1973 under the Section 221(d)(3) program. Its Section 8 contract expired in 1998. In June 1998, HUD converted the vouchers of eligible tenants to one-year "enhanced" Section 8 vouchers. This action provided the owners with market rents but with no increase in the tenant-paid portion of the rent. After a one-year term of the "enhanced" Section 8 vouchers, the owners would have been under no obligation to continue to accept the Section 8 households as tenants. If the owners had continued to accept Section 8 tenants, then the tenants would have had to pay the difference between the fair market rent and the real market rent set by the owners. For many of the elderly households in the complex, whose incomes are typically below $10,000 a year, this would have been a considerable hardship.

In the summer of 1998, Mid-Peninsula Housing Coalition (MPHC) began discussions with the project's owners about a possible sale. By November, MPHC had finalized the purchase contract and submitted a formal request to the City for $1,000,000 in financial assistance for the acquistion. MPHC secured the principal financing for the project in February 1999 with an award of a tax-exempt bond allocation of $11.4 million and an award for federal housing tax credits. In October 1998, the City submitted an application to the State for federal HOME funds in the amount of $825,000 to assist with the costs of funding the Sheridan and Palo Alto Gardens projects. However, that application was not funded. Under the terms of the purchase agreement and the requirements of the tax-exempt bond financing, MPHC needed to close escrow on the purchase before the end of May 1999. City funds in the amount of $1,000,000 were needed to complete the purchase, but the City did not have sufficient funds available. Therefore, on February 17, 1999, the City submitted a request to HUD for approval of pre-award costs. HUD approved the City's request on March 5, 1999. This allowed the City to use local funds for a portion of its $1,000,000 loan and expend the monies to close escrow and meet the requirements of the purchase contract and other funding. On April 12, 1999, Council approved the formal loan documents for the transaction, and on April 29, 1999 escrow was closed by MPHC on the acquistion.

The Sheridan Apartment complex contains 57 single bedroom units for the elderly originally financed in 1978 under the Section 221(d)(4) FHA program with a 20-year federal Section 8 rental contract for all 57 units. Its Section 8 contract expired in 1999. In the spring of 1997, the owners decided to sell the project for conversion to market rate rental housing. PAHC entered into negotiations to buy the Sheridan with the intention of preserving its existing use as Section 8 assisted housing. PAHC's initial attempts to negotiate a purchase agreement were unsuccessful because the owner demanded a price based on market rents. The City then initiated legal action to enforce its deed restrictions. Finally, on January 13, 1998, PAHC executed a purchase agreement with the owners for a $5.1 million purchase price. On February 2, 1998, the City Council approved $145,500 in CDBG funds for PAHC for predevelopment activities. An FHA loan commitment was received by PAHC in May 1998 after which the City Council authorized a maximum City loan commitment of $2.5 million

in CDBG and City Residential Housing In-Lieu funds. In late August 1998, PAHC was awarded both state and federal tax credits and escrow closed on December 9, 1998. Rehabilitation work commenced immediately and has since been completed.

The acquistion of the two projects described above illustrates that considerable work by the Palo Alto Housing Corporation, the Mid-Peninsula Housing Coalition, City staff and others were necessary to preserve these projects for affordable housing. It also shows the various sources of financing that were required (bond financing, HUD and City funds, etc.) to allow for the purchase of these projects and the enormous costs involved. If the costs of the Palo Alto Gardens and Sheridan Apartments and other recent rental acquistions and rehabilitations (e.g., the Arastradero Park Apartments) are combined, the average cost to acquire, rehabilitate and conserve the units for very low-income use ranged from approximately $114,200 - $140,000 per unit. This included an average of $82,200 - $106,500 per unit for acquisition, $10,500 - $12,000 per unit for rehabilitation cost and about $21,500 per unit for other costs such as sponsor fees, transaction costs, financing (including the bond issuance) and establishing reserve funds. This cost range provides a basis for estimating the possible cost to conserve or replace the one remaining Section 8 project owned by a for-profit corporation. Using the cost range above, the cost of acquiring, conserving, and rehabilitating (or replacing) the 72 units of the Terman Apartments would be about $8,222,400 - $10,080,000.

Because the other remaining units are owned by non-profits, it is highly unlikely that they would have to be replaced or purchased at market rates. They are in danger of losing their Project Based Section 8 rental assistance, which would likely result in a modified mortgage arrangement with HUD and/or some increase in rents, but still remaining well below market rates. In addition, because of the quality and desirable location of the projects, tenants receiving Tenant Based Section 8 Subsidies are likely to continue living in the properties for some time.

Potential funding sources to pay for the cost of conserving these units are limited. Similar to the Palo Alto Gardens and Sheridan projects, City staff would assist in pursuing such funding sources as bond financing, State of California housing program funds, HOME funds, CDBG funds and City funds. Other potential funding sources might include Low Income Housing Tax Credits and Affordable Housing Program Funds from the Federal Home Loan Bank. All of these funding sources are, however, limited.

Chapter 6: Housing Constraints

Housing development can be affected by economic forces in the private market as well as regulations and policies imposed by public agencies. These constraints primarily impact the production of new housing but can also affect the maintenance and/or improvement of existing housing. The discussion below, and on the following pages, analyzes both the governmental and non-governmental ("market") constraints that can affect the housing market in Palo Alto.

Governmental Constraints

1. Land Use Controls

a) Comprehensive Plan

The ***1998-2010 Comprehensive Plan*** is Palo Alto's chief policy document governing and guiding the long-term development of the City. Besides the Housing Element, the most important portion of the Plan influencing the production of housing is the Land Use and Community Design Element. This element describes the land use categories that allow residential use and the general density and intensity limits for each of these categories. Four residential land use designations are contained in the Land Use and Community Design Element and are described below.

Single-Family Residential

Allows one dwelling unit on each lot as well as churches or schools (conditional uses). The typically allowed density range is one to seven units per acre but the upper end of this range can be increased to 14 dwelling units per acre to accommodate second units or duplexes.

Multiple-Family Residential

Allows net densities ranging from eight to 40 dwelling units per acre with more specific density limits governed by a site's zoning district and its location. Generally higher densities are permitted near major streets and public transit and lower densities next to single-family residential areas. The updated Housing Element proposes that the density ranges for each of the City's three multiple-family zoning districts be described to clarify the density limits of these zoning districts, including the minimum acceptable density or a density "floor" to encourage development at the high end of the density range. This will help to ensure that the limited residential lands available will be developed close to their full potential

Village Residential

This land use designation was added to the Comprehensive Plan in 1998 and has yet to be applied to any lands in Palo Alto. The intent of this designation is to promote housing that contributes to the harmony and pedestrian orientation of streets and neighborhoods. This designation allows a maximum density of 20 units per acre but does not establish a density floor. The updated Housing Element recommends the establishment of a density floor for

this designation. The City should intensify its efforts to find sites suitable for this land use designation to increase its housing supply.

Transit-oriented Residential

This land use designation was also added to the Comprehensive Plan in 1998 and has yet to be applied to any lands in Palo Alto. The intent of this designation is to allow higher density residential uses in the University Avenue/Downtown and California Avenue commercial centers within 2000 feet of a multi-modal transit station and thus support transit use. A maximum density of 50 dwelling units per acre is established but no density floor is described. The updated Housing Element calls for development standards that would encourage higher density development nearest to the transit stations while still preserving the character of adjacent neighborhoods. It also calls for the development of a zoning district that will achieve these ends. The City should intensify its efforts to find sites suitable for this land use designation to increase its housing supply and achieve its goal of supporting transit and reducing automobile use.

In addition to the residential land use designations listed above, the Comprehensive Plan allows residential development under non-residential (commercial and industrial) land use designations. These lands represent a significant potential housing supply but new standards must be developed for this potential to be realized. These land use designations and their general development limits are described below.

Neighborhood Commercial

This designation typically allows smaller shopping centers with retail uses that serve nearby neighborhoods. It also allows residential and mixed use projects with floor area ratios (FAR) no larger than 0.4 but does not describe an allowed density range. The updated Housing Element proposes that a density range be established and that new development standards be created for residential or mixed use projects. This will clarify the City's intent for how these sites should be used if residential or mixed use development is proposed and to maximize the residential potential of these sites. The updated Housing Element also calls for revising the Zoning Ordinance to support these uses.

Regional/Community Commercial

This designation allows larger shopping centers intended to serve markets larger than nearby local neighborhoods but it does not allow residential or mixed use. Sites with this designation are much larger than neighborhood shopping centers and contain large parking areas. These sites represent an untapped opportunity for the creation of residential and mixed use development on underutilized parking lots or other areas. This land use designation allows residential and mixed use developments with high density residential. The updated Housing Element calls for the creation of development standards and zoning revisions that would allow such development to occur.

Service Commercial

This land use designation supports citywide or regional commercial facilities for people arriving by automobile. It also allows residential and mixed use projects in some locations but does not establish density limits. The updated Housing Element proposes that, through the Zoning Ordinance Update, a density range be established and that development standards and zoning ordinance provisions be revised to support such development.

Mixed Use

This designation allows for combinations of Live/Work, Retail/Office, Residential/Retail and Residential/Office uses but it has yet to be applied to any site in Palo Alto. Further, it does not establish a residential density range to guide development. The updated Housing Element proposes that a density range be established through the Zoning Ordinance Update to realize the residential development potential of these sites.

Research/Office Park

This land use designation allows for office, research, and manufacturing establishments and a variety of other uses including residential and mixed use. This designation does not establish a density range for residential uses. The updated Housing Element calls for the establishment of a density range through the Zoning Ordinance Update. It also calls for revisions to development standards and Zoning Ordinance provisions to allow reasonable mixed use development to occur on sites with this designation.

Light Industrial

Wholesale and storage warehouses and the manufacturing, processing, repairing and packing of goods are all allowed under this designation. Residential and mixed use projects are also allowed but no residential density limits are described. The updated Housing Element proposes a density limit be established through the Zoning Ordinance Update and suggests revisions to the FAR limits and the zoning ordinance to allow reasonable mixed use development to occur on sites with this designation.

Institutional

Besides the commercial and industrial land use designations described above, the institutional lands in Palo Alto represent a potential source of housing. The updated Housing Element proposes that properties considered surplus in the Public Facilities zone and designated Institution allow residential development consistent with surrounding densities and intensities of development.

Comprehensive Plan Policy Changes

Besides the modifications to the land use changes described above, the updated Housing Element suggests a series of land use and other policy changes designed to increase the supply of affordable housing in Palo Alto. These include the following:

- Promote density changes that encourage the efficient development of scarce residential lands and that support transit use and the creation of a pedestrian friendly environment.
- Encourage the use of the Village Residential and Transit-oriented Residential land use designations.
- Encourage the redevelopment of parking areas with high density residential or mixed use in combination with parking structures.
- Revise the commercial and industrial housing in-lieu fee formula for projects impacting housing to better reflect the impact on new jobs on housing demand and costs.

b) Zoning Ordinance

The City's Zoning Ordinance is the primary tool used to manage the development of residential units in Palo Alto. The Residential Districts described in Palo Alto's Zoning Ordinance include the RE: Residential Estate District, R-1: Single-Family Residence District, R-2: Two Family Residence District, RMD: Two Unit Multiple-Family Residence District, RM-15: Low Density Multiple-Family Residence District, RM-30: Medium Density Multiple-Family Residence District, RM-40: High Density Multiple-Family Residence District and the Planned Community District. Moreover, residential development is permitted in all other zones. Permitted densities, setback requirements, minimum lot sizes and other factors vary among the residential districts. Listed below are some of the more significant factors of each of the districts.

RE Residential Estate District

The RE District is intended to create and maintain single-family living areas in more outlying areas of the City compatible with the natural terrain and the native vegetative environment. The minimum site area is one acre. Only one residential unit, plus an accessory dwelling or guest cottage, is permitted on any site. The maximum size of the main dwelling on a conforming lot is 6,000 square feet.

R-1 Single Family Residence District

The R-1 district is intended for single family residential use. Typically, only one unit is allowed per R-1 lot although, under certain conditions, accessory or second dwelling units may be allowed in addition to the primary unit. Generally the minimum lot size for the R-1 district is 6,000 square feet. However, there are certain areas of the City where the minimum lot sizes historically have been larger than 6,000 square feet and these larger lot sizes are being maintained through the Zoning Ordinance by specific R-1 zone combining districts.

Illustration #21: R-1 Districts and Minimum Site Areas

Type of R-1 District	Minimum Site Area	
R-1 General	6,000 Square Feet	(557 square meters)
R-1 (650)	7,000 Square Feet	(650 square meters)
R-1 (743)	8,000 Square Feet	(743 square meters)
R-1 (929)	10,000 Square Feet	(929 square meters)
R-1 (1858)	20,000 Square Feet	(1,858 square meters)

The R-1 District zoning regulations also specify lot coverage maximums (typically a maximum of 35% lot coverage is allowed) and Floor Area Ratios (the ratio of the house size to the lot size). Generally, the maximum floor area on a single-family lot is not allowed to exceed a floor area ratio of .45 for the first 5,000 square feet of lot area and .30 for any portion of lot area in excess of 5,000 square feet. These lot coverage and FAR limits may limit the development of second dwelling units on certain lots. In addition, there are certain height restrictions that may also limit development potential. "Daylight Plane" restrictions that apply are height limitations controlling development on residential properties. In certain areas of the City where there are predominantly single-story "Eichler" homes, there may also be limitations on adding second stories to single-story units.

R-2 and RMD Residential Districts

There are two residential districts that allow two units on a site. The R-2 Two Family Residence District allows a second dwelling unit under the same ownership as the initial dwelling unit in areas designated for single-family use with regulations that preserve the essential character of single-family use. A minimum site area of 7,500 square feet is necessary for two dwelling units in this district. The RMD Two Unit Multiple-Family Residence district also allows a second dwelling unit under the same ownership as the initial dwelling unit in areas designated for multiple-family uses. The minimum site area for two units is 5,000 square feet and the maximum density in this district is 17 units per acre.

Multiple-Family Density Districts

The Zoning Ordinance provides three categories of multiple-family residential use: low density (RM-15), medium density (RM-30) and high density (RM-40). In the RM-15 district, the permitted density range is from 6 - 15 units per acre. The updated Housing Element (Program H-5) proposes that the density floor be reevaluated through the Zoning Ordinance Update process to determine if a higher density floor of 8 units per acre is appropriate. The minimum site area is 8,500 square feet and there are setback, floor area ratio, lot coverage and height limitations also. The RM-30 district allows a range of 16 - 30 units per acre while the RM-40 allows a range of 31 – 40 units per acre. All of these districts have minimum site areas, height limitations, lot coverage and floor area ratios. In addition, all of the multiple-family zones have open space and BMR ("Below Market Rate") requirements. Further discussion of BMR requirements is included later in this chapter.

PC Planned Community District

In addition to the specific residential districts noted above, there is also the "Planned Community District" that is intended to accommodate developments for residential, commercial, professional or other activities, including a combination of uses. It allows for flexibility under controlled conditions not attainable under other zone districts. The Planned Community District is particularly intended for unified, comprehensively planned developments that are of substantial public benefit. A constraint to the PC zone related to housing is a requirement for a finding of public benefit. In a high cost area such as Palo Alto, additional public benefits discourages residential PC zone proposals. The 1998-2003 Housing Element in Program H-7, called for the development of a Planned Development Zone similar to the PC zone, but without the public benefit finding. This program has not yet been implemented but it will be addressed in the City's current Zoning Ordinance Update.

New Residential and Mixed Use Zoning Districts

Three land use designations in the Comprehensive Plan, Transit-oriented Residential, Village Residential, and Mixed Use do not yet have corresponding Zoning Districts that would fully implement them. Program H-5 of the updated Housing Element calls for the creation of zoning districts that would allow lands with these designations to be developed at the maximum densities described in the Comprehensive Plan as well as require a minimum level of residential development. Sites with these designations will be increasingly important for the City's housing supply and the goals of the Comprehensive Plan that support transit use and that seek to create a more pedestrian friendly and less auto-oriented environment.

Residential Uses in Commercial Districts

All of the City's Zoning Districts allow for residential development. In the 1970s and 1980s, several mixed use projects were developed in the commercial zones that included significant numbers of residential units. However, during the late 1980s and 1990s, financing of mixed use projects became more difficult and the City has seen a decline in mixed use proposals. In addition, the zoning ordinance requirement for Site and Design review of mixed use projects and a requirement that the more restrictive zoning requirement of either the commercial or residential zone apply have resulted in a constraint on the production of housing units in commercial zones. The 1998-2003 Housing Element called for the elimination of the requirement for site and design review of mixed use projects. Other programs were also adopted with the 1998-2003 Housing Element that were intended to encourage mixed use projects and to implement a review of the mixed use requirements with the intent of simplifying the zoning requirements and adding incentives that will encourage further residential and mixed use development in the commercial zones. None of these programs have yet been implemented and, therefore, they are carried over to the updated Housing Element, which proposes further changes in the Comprehensive Plan and Zoning Ordinance to facilitate the development of residential and mixed uses in non-residential zoned areas.

Site Development Regulations

In certain instances, the City's site development regulations can be viewed as constraints to the development of housing. The City recognizes that its residential neighborhoods are distinctive and wants to preserve and enhance their special features. Since Palo Alto is basically a "built-out" community, most new single-family residential development is going to occur in existing neighborhoods through either infill lots or demolition/remodeling of existing structures. Therefore, the regulations guiding development are intended to ensure that much of what Palo Alto cherishes in its residential areas, such as open space areas, attractive streetscapes with mature landscaping and variety in architectural styles, is preserved and protected.

The typical development standards for Palo Alto's residential zoning districts are summarized in the illustration below.

Illustration #22: Existing Residential Development Standards

Zoning District	Max. Lot Coverage	Floor Area Ratio (FAR)	Max. Height Limit (Feet)	Required Parking	Required Open Space (Sq. Ft.)	Density Range (DU/AC)	Avg. Dwelling Size at Max. Density (Sq. Ft.)
R-1	0.35	0.45	30	2 spaces; 1 covered	N/A	0-7	2,500+
R-2	0.35	0.45	30	1.5 spaces per unit; 1 covered	N/A	0-11	1,500+
RMD	0.40	0.50	35	1.5 spaces per unit; 1 covered	450 per unit	0-17	1,100+
RM-15	0.35	0.50	30	1.25-2.00 spaces per unit; 1 covered	50-100 per unit; 0.35 of site	6-15	1,250+
RM-30	0.40	0.60-0.75	35	1.25-2.00 spaces per unit; 1 covered	50-100 per unit; 0.30 of site	16-30	900+
RM-40	0.45	1.0	40	1.25-2.00 spaces per unit; 1 covered	50-100 per unit; 0.20 of site	31-40	900+

The development standards described above indicate that the maximum densities allowed by each residential zoning district can readily be achieved and can produce units of a reasonable size. Lot coverage, FAR and height standards increase as densities increase to accommodate the maximum density allowed by each district. Open space standards are concomitantly reduced to accommodate these increasing densities but still allow for adequate private and communal open space. Parking standards are governed by the number of bedrooms in the case of multifamily residential development and are directly related to the number of people

of driving age expected in these units. All residential development standards in Palo Alto are comparable with development standards in other Bay Area communities, including lower cost communities such as San Jose. Given this, it appears that Palo Alto's residential development standards are reasonable and do not significantly add to the cost of residential units in the City when compared to the high costs associated with the purchase of land, labor and construction materials.

Several site development regulations, however, are recognized in the Goals, Policies and Programs of this Housing Element as needing assessment and possible revision to reduce the constraints on developing housing. Currently, the City does not have a zoning district that permits the development of single-family detached units on lots of less than 6,000 square feet. Program H-6 (now Program H-11) of the previous Housing Element called for amending the zoning regulations to permit residential lots of less than 6,000 square feet where appropriate. The proposed Planned Development zone would allow for small lot developments. Program H-7 (now Program H-12) called for modifying parking requirements to allow higher densities of housing in areas where jobs, services, shared parking and transit will reduce the need for parking. These programs have not yet been implemented but they have been carried over into this Housing Element and will be addressed as part of the Zoning Ordinance Update. Program H-5 of the updated Housing Element call for allowing increased density within commercial and industrial areas, near transit centers, and in other appropriate areas. Program H-2 of the 1998-2003 and this Housing Element, as well as other programs, calls for considering minimum density requirements which could result in more housing, as well as more affordable housing. Programs H-7 and H-8 call for changing development standards to encourage the production of second units which could also result in more affordable housing. Program H-6 calls for the use of "form codes" of diverse housing types, including smaller more affordable units. Form codes would allow, essentially, the creation of performance standards that would indicate the type of housing the City would desire in a particular area but would not require strict conformance to explict numeric standards. This should make it easier for housing projects of all types to be accommodated on the smaller more difficult to develop parcels in Palo Alto and easier for higher density residential or mixed use projects to be built on underdeveloped or reuse sites.

Constraints on Housing for the Disabled

The Disabled Households section of this document (page 18) describes the housing needs of disabled households and what the City is doing to assist these households. This section will describe any potential or actual regulatory constraints, if any, on providing housing for the disabled in Palo Alto. Currently the City strictly enforces the federal Americans with Disabilities Act (ADA) and state requirements to ensure that minimum housing access requirements are met. The City also enforces disabled parking standards described in its Zoning Code for all land uses. The City is not aware of any significant constraints to the provision of affordable housing for the disabled in its Zoning Code or other regulatory provisions and has been able to allow, on an ad hoc basis, regulatory changes necessary to accommodate the needs of disabled households as required by State law. However, given the recent adoption of Senate Bill SB520, which seeks to eliminate any discriminatory obstacles to providing housing for the disabled and other special housing needs groups, Program 64 of the updated Housing Element calls for a thorough review of the Zoning Code

and other pertinent development regulations during the 2002-2004 Zoning Code update to identify and correct any discriminatory obstacles. In addition, this new program calls for written procedures describing how Palo Alto will allow for the reasonable accommodation of households with special housing needs, including the disabled. Currently, the City addresses reasonable accommodation requests on an ad hoc basis and needs a more formal process. The City, on an ad hoc basis, does allow for fee waivers for housing projects serving the disabled as a means of encouraging the production of such housing

Summary

Currently, the City's Zoning Ordinance allows a range of residential densities from very low density single-family to 40 units per acre multiple-family. In conformance with Comprehensive Plan policy, it will eventually allow maximum densities of 50 units per acre for Transit-oriented Residential and similar mixed use developments. Residential uses are also allowed in commercial and industrial districts as well as planned developments within the "Planned Community" District. While certain requirements within the Zoning Ordinance (floor area ratios, height limitations, etc.) may be viewed as constraints to development, the City has adopted these requirements as a means of ensuring that 1) the distinctive residential qualities of the existing neighborhoods are preserved and, 2) new development reflects a certain level of quality that is individual and yet blends in with Palo Alto's community character. Moreover, through the adoption of the policies and programs in this Housing Element, the City is seeking to reduce these constraints. Further, the updated Housing Element calls for density increases and modified development standards that would more easily allow development to occur at the higher end of the density range while still preserving community character. All of these efforts will be addressed in the Zoning Ordinance Update.

2. Local Processing and Permit Procedures

There are various levels of review and processing of residential development applications, depending on the size and complexity of the development. For example, single-family use applications that require a variance or home improvement exception can be handled by the Director of Planning. More complicated applications, such as subdivision applications or rezoning, require review and approval by the Planning Commission and City Council and, in some instances, the City's Architectural Review Board.

Residential Development applications that fall under the responsibility of the Director of Planning are usually processed and a hearing held within 6-8 weeks of the application submittal date. This includes review by the Architectural Review Board, which is required for all residential projects except singly-developed single-family houses and duplexes. Rezonings and minor subdivision applications typically have a longer time frame since they must be heard before both the Planning Commission and the City Council. Generally, an application will be heard by the Planning Commission 7-10 weeks after application submittal. Local ordinance requires the City Council to consider the Planning Commission recommendations within 30 days; therefore, there would be a maximum of 30 more days after the Planning Commission hearing for the City Council's action on the application. If the application is for a major Site and Design or Planned Community rezoning, then the

Architectural Review Board will conduct a hearing after the Planning Commission Hearing and this could affect the time frame. Further, all of the time frames referenced above assume that all environmental assessment and/or studies have been completed for the development. Additional time will be required if there are any environmental issues that need to be studied or resolved as a result of the environmental assessment. These permit processing timelines are comparable to other jurisdictions in the Bay Area.

Architectural Review Board (ARB) approval is required for all residential projects except singly-developed single-family homes and duplexes. The ARB sets certain standards of design in order to keep the high quality of housing in Palo Alto. This includes a preference for naturally weathering materials, and "genuine" materials such as true clay tiles. The ARB process may add time and may result in requiring a higher level of design, materials and construction, which can be a constraint to the development of housing; however, the level of review and the upgrade in materials has the long term benefit of lower maintenance and higher retention of property values. Moreover, the construction of thoughtful and well-designed multi-family housing has sustained community support for higher density projects and has resulted in community support for residential projects at all income levels. The preferences on materials are sometimes waived for affordable housing projects.

In an effort to make the design review process in Palo Alto more efficient and predictable, the City has developed design guidelines for key areas of the City and preliminary review processes for major development projects. The design guidelines cover sensitive areas of the City and include the El Camino Real area (where most of the new multifamily housing in Palo Alto is expected to locate), the Downtown, the Baylands, and the South of Forest Avenue (SOFA) area. These guidelines describe the design issues and neighborhood sensitivities each development project in these areas must address and the types of designs and design elements that would be acceptable in these areas and, thus, ensure that new projects are compatible with existing neighborhoods while also creating and maintaining a desirable living and working environment.

The City has established two preliminary review processes for significant development projects to assist developers in identifying critical issues to be addressed and potential design problems to be resolved prior to filing a formal application. A small fee is charged for this optional service but these processes can save a great deal of time by proactively addressing issues that could delay construction of a project, which, ultimately, is the greatest contributor to increasing project development costs. The Preliminary Architectural Review process allows the City's Architectural Review Board (ARB) to review potential projects or project concepts and give useful direction during the initial or formative design steps of the project. Planning staff also reviews the project to ensure compliance with Zoning Code requirements and other pertinent design guidelines and planning policies. The preliminary process also provides other City departments with an opportunity to comment on the proposed project and identify concerns and requirements the project must address.

The Development Project Preliminary Review process maximizes opportunities for developers and the City to discuss a major development project and allows the City Council to review, comment and provide initial direction regarding the nature and design of the project before it is filed. The project issues covered include potential environmental

problems and major policy issues in addition to the design issues covered in the Preliminary Architectural Review process. Planning staff and other City department staff also review the project for compliance with all pertinent City codes and guidelines. Both of these processes give the developer valuable information that will prevent costly project redesigns and other potential delays that could significantly increase the cost of a project.

Since processing delays can significantly increase the cost of a housing basis, the City does, on an ad hoc basis, provide for preferential or priority processing for affordable housing projects. The 1999-2006 version of the Housing Element formalizes preferential or priority processing for affordable housing projects.

In regard to codes and enforcement, the City has adopted the Uniform Building Code (UBC), published by the International Conference of Building Officials, which establishes minimum construction standards. Although a locality may impose more stringent standards, it cannot adopt any that are less restrictive than those of the UBC. Thus, the City cannot modify the basic UBC requirements. The City also administers certain State and Federal mandated standards in regards to energy conservation and accessibility for disabled households. In reviewing these standards, certain requirements especially in regard to handicapped accessibility may be viewed as a constraint to housing production. The City has no direct control over these types of requirements other than working with local legislators on a federal and state level to modify and make the requirement more realistic.

The City's development fee structure does not appear to be a significant impediment to residential development. Residential developments are charged fees according to the value of the project for building, planning and fire review. For infill and individual single-family development, the Public Works fees are minimal and estimated to be less than $500 per unit. For a residential subdivision, the most significant Public Works fee would be the fee for a Street Work Permit, which is 5% of the value of the street improvements. The City's Utility Department does charge for sewer and water hook-ups.

The following illustration provides fee estimates for prototype projects that could be built in Palo Alto. The fee estimates for multifamily units are based on a one acre site being developed with a 30 unit project, each unit about 900 square feet in area and served with a one car, 200 square foot carport. The single-family project assumes seven units are built on a one acre site, each unit with 2,000 square feet of living area and a 400 square foot two car garage. This illustration indicates what impact Palo Alto fees might have on a reasonably typical residential project, but does not account for unusual circumstances such as the need for a variance.

Illustration #23: Estimated Fees for Residential Projects

Type of Fee	Estimated Fee per Unit for a Multi-family Project	Estimated Fee per Unit for a Single-Family Project
Planning		
Preliminary Review	$23	$96
Arch. Review Board Review	$61	$360
Environmental Review (Neg. Dec.)	$100	$429
Subdivision (Tentative and Final Map)	$221	$945
Zone Change	$167	$715
Public Notices	$4	$17
Subtotal	*$576*	*$2,576*
Building, Fire, & Public Works		
Permit	$1,000	$1,700
Building Plan Check	$750	$1,275
Zoning Plan Check	$250	$425
Fire Plan Check	$450	$765
Public Works	$17	$71
Mechanical, Plumbing and Electrical	$273	$507
Subtotal	*$2,740*	*$4,743*
Utilities (New Connections)		
Gas Service	$100	$2,056
Sewer Service	$145	$3,900
Water Service	$230	$2,694
Subtotal	*$475*	*$8,650*
Infrastructure		
Parks	$5,210*	$7,960
Community Center	$1,250*	$1,900
Libraries	$470*	$720
Subtotal	*$6,930**	*$10,580*
Grand Total	**$10,721**	**$26,549**

*For projects with units less than 900 square feet, the Parks Fee is $2,634, the Community Center Fee is $630 and the Libraries Fee is $236 for a total of $3,500.

The fees for parks, community centers, and libraries that add $10,580 to the price of a single-family dwelling and $6,930 to the price of a multifamily dwelling were recently adopted this year (2002). These new fees are likely to increase the cost of a median priced single-family dwelling by about 1% and increase the cost of a median priced multifamily dwelling by about 1.3%. Combined with additional planning, building and other fees the City charges, Palo Alto's fee structure adds about 2.6% to the cost of a median priced single-family dwelling and about 2% to the cost of a median priced multifamily dwelling. These increased costs are not signficant when compared to the cost of land, labor and materials in Palo Alto but they could impact affordable housing projects with limited budgets. Due to this factor, the City has exempted all 100% affordable housing projects from the new parks, community centers, and libraries fees and will exempt all affordable housing units (including all BMR units) from these infrastructure fees under the new programs of the updated Housing Element. It should also be noted that Palo Alto's fee schedule is less costly for multifamily units than single-family units, which provides some incentive for the increased production of multi-family units. In addition, the fee schedule reduces the fees for multifamily units of less than 900 square feet to $3,500, approximately 50% less than the larger units. This provides an incentive for development of smaller, less expensive units.

Palo Alto's building and planning permit processing fees are comparable to similar fees charged by other jurisdictions in the Bay Area. It should be noted, however, that these fees are designed only to cover the cost the City incurs to process these development applications and provide the support services needed by City staff. The City currently allows the waiver of existing fees for very low- and low-income housing projects when appropriate. The updated Housing Element proposes under Programs H-21 and H-22 that affordable housing projects be exempt from infrastructure impact fees and, where appropriate, waive the imposition of development fees.

Other public service districts of course may charge fees that are outside of the control of the City. The most significant of these fees in Palo Alto are school impact fees. The Palo Alto Unified School District adopted a fee schedule in 2000 that specifies a fee of $2.05 per square foot for residential units.

3. Below Market Rate (BMR) Program

The City's BMR Program has been in existence since 1974 and has produced 152 for-sale residential units and 101 rental units by 2001. The program was initiated to fill a gap in affordable housing between households making above moderate-income, who it was felt could afford their own housing, and low-income households, who could be assisted by other state and federal programs. The program has built-in provisions that result in the units in the program being more affordable over time when compared to market rate units and median income, owner households.

The BMR Program could be considered a constraint to the production of housing, however, in high cost cities such as Palo Alto, this type of program is necessary to augment the production of moderate cost housing. The BMR program has several options for the developer and allows for the developer to recoup the direct construction and financing costs

of the unit excluding land, marketing, offsite improvements and profit. The City requires that BMR units be included in all residential projects of five or more units, and the units be mixed throughout a project. The result is a diversity of income within housing developments throughout the City.

Although Palo Alto's current BMR Program has endeavored to increase the supply of affordable housing, it has managed to create only about 7.5 units a year of affordable housing, which is clearly not sufficient to meet the City's need for affordable housing. To increase the supply of affordable housing, the updated Housing Element proposes that the BMR requirement for affordable housing be increased from 10% to 15% for projects of less than 5 acres. The BMR requirement for projects on five or more acres is proposed to be increased from 15% to 20%. The cost to developers of these increases will be offset by allowing the BMR ownership requirement to be satisfied by providing housing affordable to those households earning up to 120% of the County median income in a third of the units rather than the current limitation of providing ownership housing affordable to only those households earning 100% or less of County median income.

4. Land Availability

The greatest housing constraint facing Palo Alto is the very limited supply of land available for residential use. Palo Alto is basically a "built-out" community. The lack of vacant land, however, has resulted in an effort to "recycle" land parcels with commercial or industrial zoning that are vacant or have other land uses that are economically marginal. The City's long-term policy to discourage the rezoning of residential land to commercial use, while encouraging the rezoning of commercial lands for residential use, has resulted in 46 sites being rezoned from commercial to residential since 1978. During the same time period, only 10 sites have been changed from residential to commercial. This policy of limiting conversion of residential land is strengthened in the updated Housing Element.

Given the dearth of vacant, residentially zoned land available, Palo Alto must identify and rezone underutilized residential and non-residential lands sufficient to meet its unmet housing needs. These lands could be rezoned to allow solely residential use or to allow mixed uses that require a minimum level of residential development rather than solely commercial or industrial use. During the preparation of this Housing Element, City staff began the Housing Opportunities Study, which included a series of field investigations and the collection of other information to identify those sites most suitable for residential use or conversion to residential use. Staff focused primarily on existing commercial or industrial lands that appeared to be underutilized, or that were nearing the end of their economic life, where market forces are likely to promote a change in use in the near future. Some of these sites were more promising than others and should be given priority in the City's efforts to convert non-residential sites to residential use. To this end, the City has established a list, or inventory, of sites suitable for the production of housing during the 1999-2006 time frame of this Housing Element. The range of units expected from the Inventory is illustrated below. (The Housing Sites Inventory is described in detail in Appendix E.)

The Inventory consists primarily of sites already zoned for residential use (either conventional residential or Planned Community zones) or sites that have combined

residential and non-residential zonings that can be relatively easy to convert to residential use in terms of policy or practical reasons. For example, all of the sites contained in the Inventory would not require changes in the Comprehensive Plan to allow residential use. However, several of the sites may require rezoning or partial rezoning to achieve the desired dwelling unit yields. A few of the sites are vacant but most are occupied by uses or buildings that are older or underutilized and are likely to be reused with higher value residential or mixed use within the next five years. It is expected that most of these sites would be rezoned and converted to solely residential use but mixed use projects would not be prohibited as long as a minimum amount of residential development was part of the mix. These sites could generate at least 818 units using just the lower end of the density ranges allowed on these sites.

In addition to the Housing Sites Inventory, a list of other sites (see Appendix F) that may be considered suitable for future residential use is also provided. This second list consists of sites that are typically zoned for commercial or industrial use and are currently occupied by non-residential uses. It also includes publicly owned properties, such as parking lots, which could accommodate residential use. As in the Inventory, these sites could be considered underutilized or nearing the end of their expected economic life. These sites are likely to have more or higher valued improvements than the Inventory sites which will make them more costly to purchase and redevelop, but this may be offset by limiting new development to the parking lot or storage areas of these sites. These sites may also face environmental or other obstacles to their conversion to residential use but these obstacles are not insurmountable. Preparing these sites for residential or commercial use may also take more time, but most of these sites are located in areas with good access to transit or transportation facilities, are adequately provided with urban services, and are near retail and service uses that could support their redevelopment to residential or mixed use. More of these sites might be rezoned or used for mixed use development than the sites in the Inventory. Some of these sites may require amendments to the Comprehensive Plan for development of higher density housing or mixed use development. Modifications to the Zoning Ordinance may also be required, such as new, more flexible development standards for commercial zoning districts that would allow more substantial combined residential and retail commercial development or require other policy changes, such as encouraging the use of air rights.

The second list may act as a reserve of potential land suitable for residential development which may not be needed during the 1999-2006 time frame of this Housing Element but could be made available if the sites in the Inventory prove to be unavailable for housing. The Housing Opportunities Study is an ongoing effort and may add more sites to this list over the life of this Housing Element.

The Inventory provides more than sufficient housing opportunities for Palo Alto to meet the unmet portion (610 units) of its fair share of the region's housing needs as described in Chapter 5. The City is committed under Housing Program H-14 to rezone enough of the lands in the Inventory to meet this need by 2004. This should allow sufficient time for developers to acquire land, receive permit approvals and build the housing needed in Palo Alto prior to June 2006.

Illustration #24: Housing Sites Inventory

Site No.	Site Address	Description	Existing Zoning	Proposed Zoning	Site Size in Acres	Minimum Dwelling Unit Yield *
5-01	Bryant, Channing & Ramona	Oak Court (SOFA affordable housing)	AMF	AMF	1.23	53
5-06	800 High St.	Peninsula Creamery site	CD-S(P)	PC pending (61 units requested)	0.96	26
5-21	657-663 Alma St. (north corner of Alma St. and Forest Ave.)	Former Craft and Floral building	CD-C(P) CD-S(P)	Mixed Use	0.48	10
5-28	33, 39 & 45 Encina Ave. near El Camino Real	Proposed Opportunity Center	CS	PC pending (90 units requested)	0.43	90
5-30	841 Alma St.	Power substation	PF	TBD	0.36	10
5-31	901-925 High St.	Auto storage and parking	CD-S(P)	Mixed Use (Application pending for 12 units)	0.46	10
8-06	2650 Birch St. at Sheridan Ave.	2 vacant lots and 4 houses	RM-40	RM-40	0.57	15
8-09(a)	2701 El Camino Real	Former Greenworld Nursery	RM-40, CN	RM-40 or Mixed Use	0.98	30
8-09(b)	2755 El Camino Real	VTA Park & Ride Lot	PF	RM-40	0.48	15
8-11	E. side Sheridan Ave. btwn. SPRR and Park Blvd.	Underutilized industrial bldgs.; portion of Page Mill Rd. r.o.w.	GM(B)	RM-40	3.92	120
10-02	901 San Antonio Rd.	Former Sun Microsystems/ Future JCC	GM	Mixed Use	12.92 (portion)	200
12-01	4102 El Camino Real at Vista	Former Blockbusters	RM-30	RM-30	0.65	9
12-06	4219 El Camino Real	Hyatt Rickey's Hotel	CS(H)	CS(H) (Application pending for 302 units)	15.98 (portion)	120
12-07	4249 El Camino Real	Elk's Lodge	RM-30, RM-15, R-1	RM-30, RM-15, R-1	8.08	97
12-09	4146 El Camino Real	Vacant	RM-15	RM-15	0.77	5
12-11	3445 Alma St.	Alma Plaza	PC	PC pending (10 units requested)	4.21 (portion)	8
Total						**818**

New state legislation (AB2292) requires compensating changes in the inventory if fewer units are permitted on a site. A larger number of units may be approved on any site when consistent with the Comprehensive Plan, zoning and state law.

The City's Housing Sites Inventory has identified sufficient land suitable for residential development to meet its 1999-2006 housing needs but its efforts to find sites suitable for housing will not end there. Palo Alto intends to continue to implement its Housing Opportunities Study (HOS) (see Program H-13) by identifying sites that may be available through redevelopment for housing or mixed uses; those sites should supplement the Housing Sites Inventory. Conversely, further investigation of sites on the list identifying potential longer term housing sites may find that some of these sites are unsuitable for residential development. The HOS should be considered an ongoing process for Palo Alto since new housing opportunities may arise and the City will need to be flexible to take advantage of these opportunities. The City must also continue to look for suitable, new housing sites beyond the 2006 limit of this Housing Element.

Information in Chapter 5 of this document summarizes the number of new residential units needed to meet Palo Alto's estimated fair share of the region's housing needs. As page 44 indicates, Palo Alto's share of the region's housing need is 1,397 units for the 1999-2006 time frame.

The 1,397 unit estimate is sub-categorized into units needed by household income level. As indicated in Chapter 5 on page 44 of this document, Palo Alto has already made substantial progress in meeting its housing needs. The following describes the remaining housing need estimates for Palo Alto by household income level after accounting for the number of housing units built or approved for construction between 1999 and the end of 2000 (see Appendix D).

Illustration#25: Unmet Housing Need by Household Income, 1999-2006

241 Units	Very Low-Income Need (0-50% of Median)
50 Units	Low-Income Need (51-80% of Median)
319 Units	Moderate-Income Need (81-120% of Median)
0 Units	Above Moderate-Income Need (120%+ of Median)
610 Units	**TOTAL UNMET NEED**

Although Palo Alto has already provided more than enough housing to meet the needs of the above moderate-income households it is expected to generate, it has considerably more to do to meet the needs of the very low-, low-, and moderate-income households seeking to live in the City. As indicated in the table above, the City must have sufficient land to accommodate 610 units of affordable housing. The extremely high housing costs of Palo Alto will make it difficult for the City to achieve this goal. In Chapter 3 of this document, we found that the City's most affordable housing is multiple-family rental housing. Palo Alto needs to substantially increase the opportunities for this type of housing if it is to meet this need.

To create more affordable housing opportunities, ABAG's ***Blueprint 2001: Housing Element Ideas and Solutions*** (pages 3-10) suggests that Medium Density Residential zoning designations should allow at least 18 dwelling units per acre and High Density Residential zoning designations should allow at least 30 units to the acre. These density targets are roughly equivalent to Palo Alto's RM-30 Medium Density Multiple-Family Residence District (16-30 dwelling units per acre) and the RM-40 High Density Multiple-

Family Residence District (up to 40 dwelling units per acre). The Housing Sites Inventory discussed above focuses primarily on those sites that can accommodate RM-30, RM-40 or higher density residential or mixed use development to meet the City's affordable housing needs. This inventory, with its suggested zoning changes, indicate that Palo Alto will have more than enough land to provide the opportunities necessary to build housing for 610 very low- to moderate-income households. In fact, the development potential of the Housing Sites Inventory at the lower end of the potential dwelling unit yield is about 818 units or about 42% more than would be necessary to accommodate the unmet need of 610 units. This exceeds HCD's suggested strategy of "overzoning" lands for residential use by at least 20% above the minimum amount needed to meet a jurisdiction's share of the region's housing needs. It should be noted that most of the sites on the Inventory are currently zoned, or will be zoned, to support density ranges to provide the maximum potential for the construction of affordable housing in Palo Alto.

The City takes its commitment to encourage the construction of affordable housing very seriously. In recent years, Palo Alto has had some success in assisting in the building, and not just planning for, affordable housing. During the late 1990s, the 107 unit Alma Place SRO (very low-income housing), the 24 unit Page Mill Court (developmentally disabled, very low-income housing), and 159 low-income rental units of the Stanford West Project (currently under construction) were all built, or being built, in Palo Alto. The City has established and is proposing as part of this Housing Element, numerous policies and programs to encourage the additional development of housing, particularly housing affordable to very low-, low- and moderate-income households. These include allowing for increased densities near transit; consideration of increasing minimum densities; zoning incentives for smaller, more affordable housing; evaluation of second dwelling unit regulations to encourage the creation of more units; revised regulations to allow residential lots of less than 6,000 square feet and modifications to reduce parking requirements when affordable housing is located near jobs, services and transit.

The City will do what it can to encourage the construction of higher density, affordable residential projects. However, since the City of Palo Alto does not itself build housing, the City cannot guarantee that providing the necessary housing opportunities means that the required housing will be built. Even with the strong commitment of the City to provide affordable housing, it will be difficult for Palo Alto to provide many more units for very low- and low-income households. The primary reasons are a lack of available low cost land and the limited availability of subsidy funds. The City will continue to use public and private resources to make a good-faith effort to provide as many units as it can in meeting its fair share of the region's housing need as well as the City's own commitment to provide housing for all income groups and a diversity of housing throughout the City.

5. Infrastructure

The City of Palo Alto is an older and well-established community in terms of infrastructure. The City owns and manages its utilities, including water and electrical. According to staff from the City Public Works Department, there are no significant infrastructure constraints that would affect anticipated residential development. The City's wastewater and water systems both have sufficient capacity to serve expected residential growth, although some

local service lines need expansion or extension. On-going maintenance and repair of existing storm drainage, water, and wastewater improvements are identified as part of the City's Capital Improvement Plan (CIP). Needed repairs are prioritized in the CIP and projected over a multi-year period.

While there appear to be no significant infrastructure constraints on a citywide basis, there may be constraints on a site-by-site basis depending on the site's proximity to existing utility and service lines and whether there would be a need to provide additional connections or upgrades to those lines. These types of improvements would typically be the responsibility of the property owner/developer.

6. Environmental

There are some areas in the City that have specific environmental areas of concern. There are several sites on the poterntial longer term housing sites list in the foothill area of the City that are within a specific earthquake fault zone area. These sites require in-depth soils reports and peer review as part of their development approval process. Moreover, the entire City is subject to moderate to severe earth movement during a seismic event.

According to the City Public Works Department staff, approximately 25-30% of the City is within the flood hazard zone. Structures within this zone must meet certain building requirements when expanding or improving the property if the improvement is greater than 50% of the value of the property. Some areas of the City have isolated cases of pollution of the soil and groundwater that may require clean-up, and the close proximity of groundwater to the surface may limit excavation and require additional foundation stabilization.

Finally, many available sites are limited by noise constraints from vehicular traffic and railroad trains. Sound walls or additional noise barriers may be required to reduce noise to acceptable levels for residential use. These requirements could be viewed as constraints in that they increase the cost and may prohibit owners from undertaking improvements. The City, however, has limited control over these requirements since they are primarily regulated by state and federal agencies.

Market Constraints

There are a number of costs involved in the development of housing. These include land and construction costs, sales and marketing, financing and profit. Because these costs are so "market sensitive, " it is difficult for a local government to reduce them in any way." Listed below are some of the more significant market related issues.

1. Financing Costs

Financing costs are primarily dependent on national economic trends and policy decisions. At the time this Housing Element was prepared (2001- 2002), fixed mortgage rates for single-family residential housing varied from 5.75 to 7.25% for a 30 year fixed conforming loan as compared to 8.2% in 1997. This means that financing a home has become somewhat easier in the last few years. Adjustable rate loans were slightly lower than fixed conforming

loans, ranging from starting rates of 5.75% up to 7% and with maximum lifetime caps in the 10.95 - 12% range. Financing from both mortgage brokers and retail lenders (banks, savings and loans) is available in the Palo Alto area. The availability of financing, then, is not a constraint to the purchase of housing in Palo Alto, although financing for development of condominiums, rental housing and mixed use projects, can still be difficult to obtain. Financing costs for subsidized housing are more difficult, as the competition for the limited available funds is very severe.

2. Land and Construction Costs

The actual costs of developing and building housing in Palo Alto could be viewed as a constraint to housing, especially affordable housing. Vacant land is scarce in Palo Alto - less than 0.5% of the City's land is vacant and less than 15 acres of vacant land is zoned for residential use. Because of the lack of vacant parcels, it is anticipated that underutilized sites or sites zoned for commercial/industrial uses will become more feasible for re-use to residential designations. The City continues to review non-residentially designated areas and underutilized sites for potential residential uses and is encouraging the integration of residential use into commercial/industrial areas.

The scarcity of vacant land has resulted in increased costs of purchasing any available land. Residentially zoned (multiple-family zoning districts) property has more than doubled in value since 1996 and can sell for $150-$167 per square foot or more depending on its location and development potential. Individual single-family lots, if available, are typically over $900,000 or more in price for a 5,000 to 16,000 square foot lot. Commercially zoned land (outside of the downtown core) may have also doubled in value to over $150 per square foot. Thus, a one acre site could be worth in excess of $6.5 million.

Construction costs in Palo Alto are also expensive but are similar to those of surrounding communities. Discussions with private and non-profit developers and City staff indicate that multiple-family residential construction costs can range from approximately $200 per square foot to $250 or higher per square foot depending on amenities and the quality of construction materials. It becomes difficult to build housing, particularly affordable housing, with this range of construction cost. For example, using $250 per square foot as an estimate, a 1,000 square foot home would cost $250,000 just for construction costs and excluding land costs, off-site improvements, processing fees and financing costs. Even with the "economies of scale" of multi-family construction, costs are still high for those units. Unfortunately, construction costs are dependent on many factors including labor costs, material costs and competition in the market place and are beyond the control of the City. In order to develop housing that is affordable, especially to very low- and low-income households, substantial public subsidies are routinely required because of the high cost of land and construction.

Chapter 7: Review of 1998-2003 Housing Element

Background Information

State Housing Element Guidelines require that communities evaluate their previous Housing Elements according to the following three criteria:

- Effectiveness of the Element,
- Progress in Implementation, and
- Appropriateness of Goals, Objectives and Policies.

The City's most recent Housing Element was amended and adopted in 1998 and covered the five-year period of 1998-2003. In November 1998, the State of California, Department of Housing and Community Development, found the Housing Element to be in compliance with State Housing Element law. Therefore, the 1998-2003 Housing Element was the most current Housing Element of the City at the time that this 2002 Housing Element Technical Document was prepared. The 1998-2003 version of the Housing Element recognized that it would be an interim document, that it was essentially an extension of the 1990 Housing Element, and that it would be revised once ABAG prepared a new housing needs determination for all jursidictions in the San Francisco Bay Area. Since the 1998-2003 Housing Element is being updated in the middle of its designated time frame, many of the policies and programs have not been implemented or only partially implemented; therefore, the effectiveness of these policies and programs cannot be completely evaluated. This should be kept in mind when considering the progress of the 1998-2003 Housing Element presented below.

Policies, Programs and Goals

There were 23 policy statements in the 1998-2003 Housing Element that reflected the City's overall goals for addressing housing needs. Within each policy statement, the Element identifies specific housing programs to implement each of the policy statements. Following the outline of the 1998-2003 Housing Element, the following analysis evaluates each of the 23 policy statements and the programs and objectives quantified for each of the policy statements. This analysis is followed by a table summarizing the City's progress in providing its fair share of the region's housing need from 1990-1998.

Policy H-1: Meet community and neighborhood needs as the supply of housing is increased.

Palo Alto was able to meet more than half the needs of its very low- (57%) and above moderate-income households (53%) but was only able to produce 10% of the housing needed for low-income households and 15% for moderate income households. As already shown, the most affordable housing in Palo Alto is multiple-family residential development at densities allowed under the RM-30 and

RM-40 zoning districts or at even higher densities. The City must increase its efforts to produce affordable housing for very low-, low- and moderate-income households, which means that more of this type of multiple-family residential land must be made available during the time frame of this Housing Element and that the lands currently planned for multiple-family residential, or that allow mixed use, must be developed at or near the high end of their allowed density ranges.

Policy H-2: Consider a variety of strategies to increase housing density and diversity in appropriate locations.

Program H-1: Allow for increased housing density immediately surrounding commercial areas and particularly near transit centers.

Program H-2: Consider enacting minimum density requirements in multiple-family zones.

Program H-3: Evaluate zoning incentives that encourage the development of diverse housing types, including smaller, more affordable units and two- and three-bedroom units suitable for families with children.

Program H-4: Evaluate the provisions for second dwelling units in single-family areas to determine how additional units might be provided.

Program H-5: Create a Planned Development zone that allows the construction of smaller lot single family units and other innovative housing types without the requirement for a public benefit finding.

Program H-6: Amend zoning regulations to permit residential lots of less than 6,000 square feet where smaller lots would be compatible with the surrounding neighborhood.

Program H-7: Modify parking requirements to allow higher densities and reduced housing costs in areas appropriate for reduced parking requirements.

The Comprehensive Plan has created the Transit-oriented Residential land use designation that would allow increased densities near transit stations but this designation has not yet been applied to any specific sites. Other land use designations, such as Mixed Use and Village Residential could also be used to increase densities in appropriate areas. The City needs to identify sites where these designations can be applied. Zoning districts for these land use designations also need to be created so they can be implemented. The Zoning Ordinance currently contains minimum density requirements in multiple-family zones but these requirements need to be clarified. This is being pursued in the current Zoning Ordinance Update. Proposed changes to the Zoning Ordinance to increase housing densities in conformance with Comprehensive Plan land use designations have not been implemented

but are currently being studied by the City in the Zoning Ordinance Update, which is currently in progress.

Policy H-3: Support the designation of vacant or underutilized land for housing.

The City continues to support the redesignation of vacant or underutilized land for housing but there has been little vacant land available for redesignation over the last three years. As a result, no new vacant lands have been rezoned for housing. There is more of a supply of underutilized land available and the City has used some of this land for residential or mixed use residential/commercial development but only in relatively small amounts. The City must increase its efforts to find and convert non-residential land to residential use as called for in the updated Housing Element.

Policy H-4: Encourage mixed use projects as a means of increasing the housing supply while promoting diversity and neighborhood vitality.

Program H-8: Evaluate the effectiveness of existing incentives that encourage mixed use and residential development on commercially zoned land and determine additional incentives to be provided.

Program H-9: Use coordinated area plans and other tools to develop regulations that support the development of housing above and among commercial uses.

Program H-10: Encourage the development of housing on parking lots by adopting incentives that will lead to housing production while maintaining the required parking.

Program H-11: Eliminate the requirement for Site and Design review for mixed use projects.

The City allows residential use in all commercial zones and utilizes the site-specific Planned Community (PC) zone to encourage mixed use housing projects. During the preparation of the 1998-2003 Housing Element, a review of the mixed use regulations indicated that these regulations did not facilitate mixed use development. The City concluded that a specific mixed use zoning district, or at a minimum, revisions to existing zoning standards in the commercial and industrial districts that allow mixed uses or housing are needed to allow greater development flexibility and to decrease the need for variances and modifications to site development regulations. These revisions would help increase the potential for mixed use developments.

The City intends to continue to pursue modifications to the zoning regulations to encourage mixed use housing projects and better utilization of available land. Items to be considered

include reuse of parking lots, reduced parking requirements and other incentives, horizontal mixed use, and greater efforts to work with employers to obtain additional housing development. All of these items are currently being consider under the Zoning Ordinance Update and a draft revision of the Zoning Ordinance is expected in 2004.

The only coordinated area plan the City is currently engaged in is in the South of Forest Area (SOFA) in southern Downtown. The advisory group working on this plan is in the process of reviewing possible land use mixes including high density housing over commercial or office use. The work of this group should be completed in 2003.

Three residential development projects were built over or replaced existing parking lots in the early 1990s but none has occurred in the last half of that decade. The City wants to continue to encourage this type of development and is looking for ways to make this type of development easier to accomplish. Also, a few small mixed use projects have occurred in the 1990s but this type of development needs to be increased given that most of the City's underutilized lands are in commercial or industrial areas. A means of encouraging that type of development would be to reduce the processing obstacles that developers face. The issues of parking lot development incentives and modifications to the Site and Design Review process for mixed use projects are currently being considered in the Zoning Ordinance Update. A draft version of the revised Zoning Ordinance is expected in 2004.

Policy H-5: Discourage the conversion of lands designated as residential to non-residential uses, unless there is no net loss of housing potential on a community-wide basis.

No residential lands were converted to non-residential use in Palo Alto between 1998 and 2000. However, institutional uses, such as churches and schools, are competing for the same land as residential uses. The City needs to reinforce its policies discouraging the conversion of residential land, especially multiple-family residential land, to protect this very limited resource. The revised Housing Element includes a new program, H-20, that addresses this issue.

Policy H-6: Support the reduction of governmental and regulatory constraints to the production of affordable housing.

Program H-12: Where appropriate and feasible, allow waivers of development fees as a means of promoting the development of housing affordable to very low- and low-income households.

The City continues to regularly evaluate its zoning requirements, building codes, fees, and development procedures to eliminate barriers to affordable housing. The fee waiver process is currently being developed. Draft revised Zoning Ordinance standards will be proposed in 2004.

Policy H-7: Promote the rehabilitation of deteriorating or substandard residential properties.

Program H-13: Continue the citywide property maintenance, inspection, and enforcement program.

Program H-14: Enact development regulations that encourage rehabilitation of historic residential buildings, remodeling of older multifamily rental buildings and retention of smaller single-family residences.

The City has continued to utilize various public funding sources to assist with the rehabilitation and/or acquistion of existing affordable rental housing, including the Community Development Block Grant (CDBG) Program, City funds and bond funds. Between 1998 and 2000 the City, in cooperation with several non-profit organizations, accomplished the following:

- Construction of the 24 unit Page Mill Court which provides permanent, affordable rental housing for persons with developmental disabilities and whose incomes are less than 30% of County median income.
- Preservation and rehabilitation of the 57 unit Sheridan Apartments which was at-risk of converting to market rate housing. Sheridan Apartments provides subsidized housing for seniors and persons with disabilities. The units were acquired by the Palo Alto Housing Corporation with assistance from the City.
- Preservation and rehabilitation of the 156 unit Palo Alto Gardens Apartments which was at-risk of converting to market rate housing. The Palo Alto Gardens provides subsidized housing for seniors and families. The units were acquired by the Mid-Peninsula Housing Coalition with assistance from the City.
- Rehabilitation of the water system for the 66 unit Arastradero Park Apartments. New water lines were provided for each unit under this project.
- Re-roofing Building "A" which contains 59 units of the 120 unit Stevenson House which provides housing for low-income seniors.

The City is continuing its citywide property maintenance, inspection, and enforcement program and provides rehabilitation assistance on an "as needed" basis for units occupied by very low- and low-income homeowners. Revised development regulations that encourage rehabilitation of historic residential buildings, remodeling of older multifamily rental buildings, and the retention of smaller single family dwellings have not yet been established but are being considered under the Zoning Ordinance Update. Draft revised Zoning Ordinance standards will be proposed in 2004.

Policy H-8: Maintain the number of multifamily rental housing units in Palo Alto at no less than its current level while supporting efforts to increase the rental supply.

Program H-15: Continue implementation of the Condominium Conversion Ordinance.

Program H-16: Where a proposed subdivision or condominium would cause a loss of rental housing, grant approval only if at least two of the following three circumstances exist:

- *The project will produce at least a 100 percent increase in the number of units currently on the site and will comply with the City's Below Market Rate (BMR) program (described in Program H-20); and/or*
- *The number of rental units to be provided on the site is at least equal to the number of existing rental units; and/or*
- *No less than 20 percent of the units will comply with the City's BMR program.*

No multifamily units were lost during the 1998-2003 Housing Element timeframe. As indicated by the preservation of the Palo Alto Gardens and the Sheridan Apartments, Palo Alto continues to act to preserve its existing supply of affordable multiple-family housing. In 1974, the City adopted a Condominium Conversion Ordinance (Chapter 21.40 of the Palo Alto Municipal Code), which regulates the conversion of rental apartments condominiums for projects containing three or more units. An application for conversion can be considered only if there is a citywide rental vacancy rate that exceeds three percent, or regardless of vacancy rate, if:

- One below market rate unit is provided for every two-market rate units to be converted.
- The tenants of at least two-thirds of the rental units consent to this conversion.

Between 1998-2000, no rental units were converted to ownership units under the provisions of this ordinance. The City intends to continue to regulate the potential conversion of rental units by continuing to implement the Condominium Conversion Ordinance.

Policy H-9: Encourage community involvement in the maintenance and enhancement of public and private properties and adjacent rights-of-way in residential neighborhoods.

Program H-17: Create community volunteer days and park cleanups, plantings, or similar events that promote neighborhood enhancement.

Program H-18: Conduct City-sponsored cleanup campaigns for public and private properties.

The City continues to encourage community involvement in the maintenance of public and private properties and adjacent rights-of-way as is evidenced by the exemplary condition of buildings and improvements in the vast majority of the City.

Policy H-10: Encourage and foster diverse housing opportunities for very low-, low-, and moderate-income households.

Palo Alto continues to encourage diverse housing opportunities for very low-, low- and moderate-income households by preserving existing affordable housing, as in the case of the Palo Alto Gardens and Sheridan Apartments, and by identifying new sites for multiple-family housing. However, the City has been restricted in the provision of housing opportunities due to the limited amount of land available for multiple-family housing. That is why the updated Housing Element calls for aggressive implementation of the Housing Opportunities Study to provide more sites suitable for this type of housing in locations that support the goals and policies of the Comprehensive Plan, including housing sites that support transit use and the creation of pedestrian oriented environments.

Policy H-11: Provide for increased use and support of tenant/landlord educational and mediation opportunities.

Program H-19: Implement the "Action Plan" of the City of Palo Alto's Consolidated Plan or its successor documents.

Program H-20: Continue implementation of the City's "Below Market Rate" (BMR) Inclusionary Housing Program that requires at least ten percent of all housing units built in for-sale projects of three units or more and rental projects of five units or more to be provided at below market rates to very low-, low-, and moderate-income households.

Program H-21: Adopt a revised density bonus program that allows the construction of up to three additional market rate units for each BMR unit above that normally required, up to a maximum zoning increase of 25 percent in density. Allow an equivalent increase in square footage (Floor Area Ratio) for projects that meet this requirement.

Program H-22: Recognize the Buena Vista Mobile Home Park as providing low-, and moderate-income housing opportunities.

During the last two years of the City's ***Consolidated Plan***, the City helped to create 131 new units of affordable rental housing in the Alma Place and Page Mill Court projects and preserved 213 units of affordable rental housing in the Palo Alto Gardens and Sheridan Apartments. The City also contributed funds to help accomplish the following over the life of the 1995-2000 ***Consolidated Plan***:

- Construction of the New County Children's Shelter, a 76,000-sq. ft. facility in San Jose designed to serve 3,900 abused and/or neglected children from Santa Clara County.
- Renovation of the Casa Say Youth Shelter in Mountain View – short-term shelter for runaways or at-risk adolescents.
- Installation of safety improvements for Stevenson House and Lytton Gardens both of which are senior residential facilities.
- Construction of the 250-bed regional homeless reception center in San Jose operated by the Emergency Housing Consortium.
- Acquisition of a shared transitional home (Margarita Street House) for low-income veterans in conjunction with the Veterans Workshop.

Between 1998 and 2000 the City added 5 new BMR rental units and 7 new BMR ownership units under its Below Market Rate program but this level of production is very low compared to the City's need for housing affordable to lower- and moderate-income households. That is why the revised Housing Element calls for increasing the minimum number of BMR units from 10% to 15% of the total number of units in new residential projects under 5 acres and from 15% to 20% for projects over 5 acres.

Although the revised density bonus program called for in Program H-21 has not yet been codified, it will be implemented through the Zoning Ordinance Update. The program (now Program H-37) has been modified as part of the updated Housing Element to allow a density bonus of up to 50%.

The City has adopted a Mobile Home Conversion Ordinance to help preserve the Buena Vista Mobile Home Park.

Policy H-12: Support agencies and organizations that provide shelter, housing, and related services to very low-, low-, and moderate-income households.

Program H-23: Promote legislative changes and funding for programs that facilitate and subsidize the acquisition, rehabilitation, and operation of existing rental housing by housing assistance organizations, nonprofit developers, and for-profit developers.

Program H-24: Use existing agency programs such as Senior Home Repair to provide rehabilitation assistance to very low- and low-income households.

Program H-25: Support the preservation of existing group homes and supported living facilities for persons with special housing needs. Assist local agencies and nonprofit organizations in the construction or rehabilitation of new facilities for this population.

Palo Alto continued its efforts to support agencies and organizations that provide shelter and other services during the 1998-2000 time period. In addition to the contributions mentioned under Policy H-11 above, the City also assisted in the acquisition and rehabilitation of the Palo Alto Gardens and Sheridan Apartments. No new home repairs were conducted under the Senior Home Repair Program between 1998-2000.

Policy H-13: Pursue funding for the construction or rehabilitation of housing that is affordable to very low-, low-, and moderate-income households. Support financing techniques such as land banking, federal and state tax credits, mortgage revenue bonds, and mortgage credit certificates to subsidize the cost of housing.

Program H-26: Maintain a high priority for the acquisition of new housing sites, acquisition and rehabilitation of existing housing, and housing-related services in the allocation of Community Development Block Grant (CDBG) funds or similar programs.

Program H-27: Support and expand the City's Housing Development Fund or successor program.

Program H-28: On an on-going basis, seek funding from state and federal programs, such as the HOME program and HUD Section 202 and 811 (or successor programs), to support the development or rehabilitation of housing for very low-, low-, or moderate-income households.

Program H-29: Continue to require developers of employment-generating commercial and industrial developments to contribute to the supply of low- and moderate-income housing.

As described in earlier discussions, the City has used every means at its disposal to pursue funding for the construction or rehabilitation of affordable housing, such as the use of CDBG funds to help acquire and rehabilitate projects, such as the Palo Alto Gardens and Sheridan Apartments. The City will continue to pursue funding of all types that will help the City maintain or construct affordable housing although the competition is very severe and many of the evaluation criteria used for programs, such as HOME, do not favor communities like Palo Alto. The City is also aware that it must try to generate its own funding resources to produce housing. In particular, the City has acknowledged that the commercial and industrial housing in-lieu fee of $4.21/square foot for projects with impacts on housing has not kept pace with the rapid increase in the demand for and cost of new housing generated by new employment and, as a result, adopted a new fee of $15.00/square foot. The updated Housing Element calls for a continuous evaluation of and adjustments to the commercial and industrial housing in-lieu fee to ensure it reflects the impact of commercial and industrial development on housing needs.

Policy H-14: Encourage the preservation, rehabilitation, and construction of Single Room Occupancy (SRO) hotels and SRO housing.

The 107 unit Alma Place SRO was constructed in Palo Alto in 1998 and is evidence of the City's continued commitment to create and preserve SRO housing opportunities. The facility is designed to serve very low- income persons.

Policy H-15: Support opportunities for Shared Housing and other innovative housing forms to promote diversity and meet the needs of different household types and income levels.

To date, the City has not developed any new policies or programs to support Shared Housing. This issue will, however, be considered during the Zoning Ordinance Update currently underway.

Policy H-16: Support housing that incorporates facilities and services to meet the health care, transit, or social service needs of households with special needs, including seniors and persons with disabilities.

Policy H-17: Support family housing that addresses resident needs for childcare, youth services, recreation opportunities and access to transit.

During 1998-2000, the City assisted in the acquisition, preservation and rehabilitation of the Palo Alto Gardens Apartments and the Sheridan Apartments, both of which provide housing for seniors. Palo Alto Gardens also contains units for families. The City also contributed to the rehabilitation of the water system of the Arastradero Park Apartments, which serves 66 families. Since there are not many housing projects that incorporate facilities and services that might be needed by their residents, the City has used its funds to improve community facilities that are likely to be used by those occupying affordable housing projects throughout the City. City funds have been used to improve Rinconada Park to make it more accessible to people with disabilities and to provide playground equipment and play area renovations for the Peninsula Children's Center, which serves children with emotional and behavioral disabilities. Repairs have been made to the Ventura Community Center, which serves a low-income area. Improvements have also been made to the Community Association for Rehabilitation/Swim Center, which provides warm water therapeutic swim opportunities for seniors and persons with disabilities. Although the City will continue to support housing that incorporate facilities and services needed by special populations, it will also continue to provide support for such facilities outside of housing projects.

Policy H-18: Support legislation, regulatory changes, federal funding, and local efforts for the permanent preservation of HUD-assisted very low- and low-income units at risk of conversion to market rate housing or loss of federal rental assistance.

The City continues to support HUD programs, such as the Section 8 rental assistance program, and will continue to monitor federal legislation and regulatory changes to determine if and when to take aggressive action to ensure retention of these affordable housing units.

Policy H-19: Support the provision of emergency shelter, transitional housing and ancillary services to address homelessness.

As indicated above, the City has participated in supporting homeless shelters and service facilities in the County as well as allowing smaller temporary shelters (Hotel de Zink) in the City itself. This may not be enough to meet the needs of the homeless in Palo Alto, which may number as high as 125 people. That is why the updated Housing Element calls for the City to allow homeless shelters with a conditional use permit in the CS and CD commercial zoning districts and in the industrial zoning districts.

Policy H-20: Provide leadership in addressing homelessness as a regional issue.

Policy H-21: Work closely with appropriate agencies in the region to develop and implement policies and programs relating to homelessness.

Program H-30: Continue to participate in the Santa Clara County Homeless Collaborative as well as work with adjacent jurisdictions to develop additional shelter opportunities.

Program H-31: Continue to participate with and support agencies addressing homelessness.

Palo Alto has continued to actively participate with other jurisdictions in seeking solutions to the problems of the homeless in Santa Clara County. The City continues to believe that homelessness is a regional issue and that it must be addressed on that basis. That is why the City has contributed funds to so many homeless shelters and service facilities outside of its jurisdiction as well as inside. The City will continue to take a leadership role and actively participate with other communities to address homelessness.

Policy H-22: Support programs and agencies that seek to eliminate housing discrimination.

Program H-32: Work with appropriate state and federal agencies to ensure that fair housing laws are enforced.

Program H-33: Continue to support groups that provide fair housing services, such as Mid-Peninsula Citizens for Fair Housing.

Program H-34: Continue the efforts of the Human Relations Commission to combat discrimination in rental housing, including mediation of problems between landlords and tenants.

Program H-35: Continue implementation of the City's Ordinances prohibiting discrimination in renting or leasing housing based on age, parenthood, pregnancy or the potential or actual presence of a minor child.

During 1998-2000, the City continued to work towards elimination of discriminatory activities in all aspects of housing. The City has annually allocated CDBG funds to Mid-Peninsula Citizens for Fair Housing to provide services to promote fair housing, including complaint investigation, counseling and advocacy. The City also contracts with Project Sentinel to provide tenant/landlord information, referral and mediation services. CDBG funds have been used to support ombudsman activities to assist with complaints related to elderly residents living in nursing homes in the City. The City has also sponsored community meetings and forums to discuss the need for housing for people with special needs and provided publications that helped seniors and others to access housing. The City intends to continue these types of activities in the 1999-2006 time period.

Policy H-23: Reduce the cost of housing by promoting energy efficiency, resource management, and conservation for new and existing housing.

Program H-36: Continue providing staff support and technical assistance in energy conservation and demand management to architects, developers, and utility customers.

The City of Palo Alto is fortunate to own and manage its water, gas, wastewater and electric utility systems. Conservation of these resources is a high priority for the City. The City has a full time staff person who provides assistance with water and energy conservation. The "Residential Energy Auditor" works primarily with existing residential occupants and helps to evaluate their energy/water use and make recommendations for more efficient operations. Further, this staff person is available to work with developers or architects of new construction projects to design energy conservation features during the planning stages of the project. The City also offers on a promotional basis, programs that offer rebates for more efficient refrigerators or the use of energy efficient fluorescent lighting supplies.

In 1993, the City created the Utilities Residential Rate Assistance Program (RAP) to provide rate relief to residents who lack adequate financial resources to pay utility bills. Level of income and disability are used to determine if a household qualifies for the program. Qualifying residents currently receive a 20% discount on their utility bills. In May 2001, the City Council expanded the reach of the RAP to allow three times more residents to qualify for the program than were allowed previously.

Progress in Meeting Previous Housing Needs

ABAG originally projected that the City of Palo Alto needed to provide sufficient land to accommodate 1,809 new housing units between 1988 and 1995. This total was revised downward to 1,597 units for 1990-1995 to account for the City's housing production for the years 1988-1990. This revised housing need by household income level is described in the table below and became the housing production goals of the 1998-2003 Housing Element.

Illustration #26: Palo Alto's Fair Share of the Region's Housing Need by Income Level, 1990-1998

Household Income Level (% of County Median Income)	Number of Units Needed
Very Low (0-50%)	338
Low (51-80%)	232
Moderate (81-120%)	347
Above Moderate (121% and above)	680
Total	**1,597**

The table below updates the progress the City made in meeting its fair share of the region's housing needs from 1990-1998.

Illustration #27: Progress in Meeting Palo Alto's Fair Share of the Region's Housing Need by Income Level, 1990-1998

Income Level	1990-2003 Need	1990-1998 Production	Unmet Need
Very Low	338	169	169
Low	232	24	208
Moderate	347	53	294
Above Moderate	680	384	296
Total	**1,597**	**630**	**967**

As can be seen from the table above, between January 1, 1990 to December 31, 1998, 630 units were built in the City of Palo Alto, about 39% of the City's fair share of the region's housing need for that period. Of these units, 270 were affordable to very low-, low-, and moderate income households. This constituted about 27% of the City's 917 unit affordable housing need for 1990-2003. The City was more successful in producing units affordable to households with above moderate incomes and provided 56% of the units needed for this income level. However, overall production of housing was very low, only 70 units per year, for the 1990-1998 timeframe.

Although significant progress was made in the production of very low-income units with over half the goal (57%) met (this includes the constructon of the 107 unit Alma Place SRO and the 24 unit Page Mill Court project for the disabled), considerably less progress was

made in the low- and moderate-income categories where, respectively, only 10% and 15% of the need was met. It is clear that the City was not very effective at producing affordable housing during most of the 1990s. This was recognized during the 1998-2010 Comprehensive Plan update and the creation of the 1998-2003 Housing Element in which a series of policy and program changes were adopted to increase the supply of affordable housing. Most of these proposed changes, however, have not yet been fully implemented so the effectiveness of these new policies and programs cannot be completely evaluated. It should also be noted that other factors beyond the control of the City, such as increases in land and construction costs, may have also contributed to depressing the production of affordable housing.

The City had more success in preserving units that were "at risk" of converting to market rate housing during 1998-2000 with the preservation of the 156 unit Palo Alto Gardens Apartments and the 57 units Sheridan Apartments. The City assisted in the acquisition of these units with financial and technical assistance and the units continue to be used as housing affordable to lower income households.

Effectiveness of 1998-2003 Housing Element and Implications for 1999-2006 Housing Element

As the information on the previous pages demonstrates, the City of Palo Alto has been active in encouraging and supporting the development and preservation of housing, especially affordable housing. From 1990-2000, there were 26 "Below Market Rate" units added to the inventory, 86 units rehabilitated through the Rental Rehabilitation Program and 5 units rehabilitated with CDBG assistance. The City assisted non-profit owners in the acquisition and rehabilitation of the Palo Alto Gardens and the Sheridan Apartments. Lytton Courtyard and Alma Place SRO were constructed during this time period. In addition, the City provided considerable technical and financial support to non-profit agencies providing housing related support services such as homeless assistance, shared housing, fair housing information and mediation services and senior home repair programs.

For the 1999-2006 time frame, the City will continue the general direction of the 1998-2003 Housing Element but will place greater emphasis on increasing the potential supply of affordable housing by increasing densities on some sites and more aggressively searching for non-residential sites to convert to residential use, or mixed use with a minimum residential component, through the Housing Opportunities Study. New construction projects will continue to be required to include affordable units/in-lieu fees but at higher rates than previously and the preservation of existing units will continue to be encouraged and monitored. The City will continue to support the work of non-profit groups and agencies in providing affordable housing opportunities. With limited land and development opportunities in the future, however, the City will review its existing housing programs and ordinances to ensure that the maximum number of affordable housing opportunities are provided and new development standards are created that allow the maximum potential development to occur and that clarify residential density ranges to ensure that a minimum

level of residential development is achieved and the limited supply of residential land is used efficiently. The City will place an increased emphasis on expanding the opportunities for residential development in commercial, industrial or other areas not traditionally considered for residential use. The City will continue to emphasize the importance of maintaining the existing diversity of the housing stock in terms of rental and multifamily units and in supporting the opportunities for households of all income levels to have access to affordable housing. A regular monitoring system will be established to ensure that the City is moving towards meeting its goals. Commercial and industrial development will be asked to contribute a fair share of its resources to the production of affordable housing to at least partially offset the impact on housing demand and costs generated by new jobs.

Appendix Materials

A. *Reprint of the* **Housing Sites Inventory**
B. *Table of* **Subsidized Rental Housing Developments**
C. *Table of* **Summary of Below Market Rate (BMR) Units**
D. *Table of* **Housing Units Built and Housing Units with Approved Building Permits, January 1, 1999 – December 31, 2000**
E. *Individual Site Descriptions and Development Potential of* **Housing Sites Inventory**
F. *Table of* **Additional Potential Longer Term Housing Sites**
G. *Acknowledgements of* **Resource Persons Contacted During Preparation of the 1999-2006 Housing Element**
H. **Bibliography**

APPENDIX A

Housing Sites Inventory

Site No.	Site Address	Description	Existing Zoning	Proposed Zoning	Site Size in Acres	Minimum Dwelling Unit Yield *
5-01	Bryant, Channing & Ramona	Oak Court (SOFA affordable housing)	AMF	AMF	1.23	53
5-06	800 High St.	Peninsula Creamery site	CD-S(P)	PC pending (61 units requested)	0.96	26
5-21	657-663 Alma St. (north corner of Alma St. and Forest Ave.)	Former Craft and Floral building	CD-C(P) CD-S(P)	Mixed Use	0.48	10
5-28	33, 39 & 45 Encina Ave. near El Camino Real	Proposed Opportunity Center	CS	PC pending (90 units requested)	0.43	90
5-30	841 Alma St.	Power substation	PF	TBD	0.36	10
5-31	901-925 High St.	Auto storage/parking	CD-S(P)	Mixed Use (application pending for 12 units)	0.46	10
8-06	2650 Birch St. at Sheridan Ave.	2 vacant lots and 4 houses	RM-40	RM-40	0.57	15
8-09(a)	2701 El Camino Real	Former Greenworld Nursery	RM-40, CN	RM-40 or Mixed Use	0.98	30
8-09(b)	2755 El Camino Real	VTA Park & Ride Lot	PF	RM-40	0.48	15
8-11	E. side Sheridan Ave. btwn. SPRR and Park Blvd.	Underutilized industrial bldgs.; portion of Page Mill Rd. r.o.w.	GM(B)	RM-40	3.92	120
10-02	901 San Antonio Rd.	Former Sun Microsystems/ Future JCC	GM	Mixed Use	6.5 acres of 12.92 acre site	200
12-01	4102 El Camino Real at Vista	Former Blockbusters	RM-30	RM-30	0.65	9
12-06	4219 El Camino Real	Hyatt Rickey's Hotel	CS(H)	CS(H) (application pending for 302 units)	7.5 acres of 15.98 acre site	120
12-07	4249 El Camino Real	Elk's Lodge	RM-30, RM-15, R-1	RM-30, RM-15, R-1	8.08	97
12-09	4146 El Camino Real	Vacant	RM-15	RM-15	0.77	5
12-11	3445 Alma St.	Alma Plaza	PC	PC pending (10 units requested)	1 acre of 4.21 acre site	8
Total						**818**

**New state legislation (AB2292)requires compensating changes in the inventory if fewer units are permitted on a site. A larger number of units may be approved on any site when consistent with the Comprehensive Plan, zoning and state law.*

APPENDIX B

Subsidized Rental Housing Developments (September 2000)

Project	Date	Total	Subs.	Type
Stevenson House, 455 East Charleston	1968	120	120	Seniors
Colorado Park, 1441 Colorado Ave.	1972	60	60	Families & Seniors (17 Section 8 units)
Palo Alto Gardens, 648 San Antonio Rd.	1973/pres. 1999	156	156	Families & Seniors (128 units)
Arastradero Park, 574 Arastradero Rd.	1974/pres. 1995	66	66	Families & Seniors (47 Section 8 units)
Lytton Gardens I, 656 Lytton Ave.	1975	218	218	Seniors
Webster Wood, 941 Webster Street	1978	68	41	Families (4 units) Handicapped (4 units)
Lytton Gardens II, 656 Lytton Ave.	1979	100	100	Seniors (50 Independent Living; 50 Reseidential Care)
Sheridan Apts, 360 Sheridan Ave.	1979/pres. 1998	57	57	Seniors, Handicapped
Pine St. Shared Lvg House, 1259 Pine Street	1981	1	1	Families
Elm Apts, 129 Emerson St.	1982	11	11	Families
Terman Apts, 655 Arastradero Rd.	1985	92	72	Families & Seniors (72 Section 8 units)
Ferne Apts, 101-131 Ferne Ave.	1984	16	10	Families (6 Section 8 units)
Emerson South, 3067 Emerson St.	1985	6	6	Small Families/Single Adults
Curtner Apts., 300-310 Curtner Ave.	1986	9	9	Families (9 Section 8units)
Waldo Apts., 3039 Emerson St.	1987	6	3	Families (3 Section 8 units)
California Park Apt., 2301 Park Blvd.	1989	45	45	Families, Handicapped (1 unit)
Oak Manor Apartments, 630 Los Roblesd	1991	33	23	Families (23 Section 8 units)
Plum Tree Apts., 3020 Emerson St.	1991	10	10	Families
Lytton IV (Courtyard), 330 Everett Ave.	1994	51	51	Seniors
Barker Hotel, 439 Emerson St.	1994	26	26	Adults/Handicapped (5 units)
Emerson North, 3051-3061 Emerson St.	1994	6	6	Small Families & Seniors (1 Section 8 unit)
Emerson House, 330 Emerson St.	1996	4	4	Small Families, Handicapped & Seniors
Ventura Apts., 290-310 Ventura Ave.	1997	12	7	Families
Alma Place SRO, 753 Alma St.	1998	107	107	Single Adults/Handicapped
Page Mill Court, 2700 Ash	1998	24	24	Adults with Developmental Disabilities
TOTALS		**1,304**	**1,233**	

APPENDIX C

Summary of Below Market Rate Program Units (June 2000)

Development	Year Initial of Sale/Rent	Number of Units
BMR Purchase Units		
Foothill Green	1975	4
Villas de San Alma	1975	8
Greenhouse I	1975, 1983, 1987	14
Greenhouse II	1976	10
Channing Place	1976	2
410 Sheridan	1977	5
Villas de la Plazas	1978	4
Vista Townhouses	1979	2
San Antonio Village	1979	2
Barron Square	1979	6
Palo Alto Greens	1981	4
Colorado Place	1981	2
Palo Alto Redwoods	2983	12
Cedar Terrace (Oregon Green Offsite)	1984	1
Birch Court - BMR	1984	5
Palo Alto Central	1984	7
Loma Verde Village	1985	4
Loma Verde Townhomes	1985	2
Channing Court	1985	1
Ashby Duplex	1985	2
Abitare	1985	9
Ortega Duplex	1986	2
Talisman Duplex	1987	2
Bautista Duplex	1987	2
The Hamlet	1988	6
Terrace Bay Homes	1988	2
The Rosewalk	1988	4
Ramona Courts	1989	1
Charleston Village	1990	2
737 Loma Verde (Christensen Court)	1992	1
Camino Place	1992	4
Spanish Villas	1993	1
Jacobs Court	1993	3
Promenade	1994	7
Everett Townhome	1997	1
Silverwood	1999	3
Classics	2000	4
TOTAL OWNERSHIP UNITS		**151**
BMR Rental Units		
Southwood Apartment Homes	1985	10
1100 Welch Road Apartments	1987	11
Mayfield Apartment - 345 Sheridan	1987	9
Mayfield Apartment - 345 Sheridan	1987	3
Montage Apartments	1998	5
TOTAL RENTAL UNITS		**38**

APPENDIX D

Housing Units Built and Housing Units with Approved Building Permits, January 1, 1999 – December 31, 2002

Income Level	Project Name/Address	Number of units
Units Built: Jan. 1, 1999 – Dec. 31, 2002		
Very Low Income	Page Mill Court Apartments	24
Subtotal		*24*
Low Income	Stanford West	63
	435 Sheridan	3
Subtotal		*66*
Moderate Income	Silverwood	3
	Classics	4
	Cottages	15
Subtotal		*22*
Above Moderate Income	Stanford West	565
	435 Sheridan	32
	2825 ECR	3
	Colorado/San Carlos Subd.	4
	SOFA I	30
	Various	138
Subtotal		*772*
Total Built Units		***884***
Units with Approved Building Permits Jan. 1, 2001 – Dec. 31, 2002		
Very Low Income		0
Subtotal		*0*
Low Income		0
Subtotal		*0*
Moderate Income	Cottages	2
Subtotal		*2*
Above Moderate Income	Glenbrook Subdivision	14
	4131 ECR	8
	SOFA Condominium Projects	66
Subtotal		*88*
Total Units with Approved Building Permits		***90***
Grand Total		**974**

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 5-01

Site Name: Oak Court

Site Address(es): 845 Ramona between Channing and Bryant

Site Size: 1.23 acres

Number of Parcels and Ownership: 6 parcels, 1 owner (City of Palo Alto)

Comprehensive Plan Designation: MISP – Major Institution/Special Facilities.

Existing Zoning: AMF conforming to SOFA Coordinated Area Plan

Proposed Zoning: Same as above.

Existing Uses: Vacant land.

Status of Site and Existing Improvements: Site has been cleared to accommodate this new development. The Director of Planning approved a 53-unit affordable housing development in December in 2001 after recommendation by the City's Architectural Review Board.

Access, Infrastructure and Services Availability: Site served by three local streets with good pedestrian access and is within 2,000 feet of a transit station. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area. Single ownership allows for easy parcel assembly and redevelopment.

Redevelopment and Reuse Potential: Development application approved for 53 affordable multifamily units; non-profit developer is currently seeking housing subsidies.

Potential Dwelling Unit Yield and Mix of Housing Types: The project will include a total of 53 multifamily units, all affordable apartments in a 3-4 story building.

Compatibility with Adjacent Uses: Proposed apartments compatible with existing mix of residential and commercial uses in the area. During the development review process, the neighborhood strongly supported the project.

APPENDIX E

INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 5-06

Site Name: Peninsula Creamery site

Site Address(es): 800 High St. between Homer and Channing Streets

Site Size: 0.96 acres

Number of Parcels and Ownership: 3 parcels, 1 owner.

Comprehensive Plan Designation: Service Commercial

Existing Zoning: CD-S – Commercial Downtown Service

Proposed Zoning: PC – Planned Community (application pending)

Existing Uses: Various vacated quasi-industrial/manufacturing (creamery) buildings, truck loading and storage areas

Status of Site and Existing Improvements: Buildings, storage, and loading areas are in poor condition and need extensive rehabilitation to be utilized. No significant landscaping is on the site.

Access, Infrastructure and Services Availability: Site served by three local streets with good pedestrian access and is within approximately 2,000 feet of a transit corridor hub providing train, shuttle and bus service. The site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: The site is clearly underutilized and the quasi-industrial use is not compatible with the City's vision for its Downtown and is ready for replacement. The site is nearly one acre in size, which would be easier to redevelop than smaller sites in the area. Single ownership allows for easy parcel assembly and redevelopment. The City is currently considering a proposed rezoning of the site to allow 26-61 condominiums on site.

Potential Dwelling Unit Yield and Mix of Housing Types: Proposed rezoning is for 26-61 dwelling units, all condominiums (3 stories of apartments over parking).

Compatibility with Adjacent Uses: Proposed apartments should be compatible with existing mix of residential and neighborhood-serving commercial uses in the area if the development is sensitively designed and integrated with the existing neighborhood.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 5-21

Site Name: Former Craft and Floral building

Site Address(es): 657-663 Alma St. (north corner of Alma St. and Forest Ave.)

Site Size: 0.48 acres

Number of Parcels and Ownership: 2 parcels, 1 owner.

Comprehensive Plan Designation: CS – Service Commercial. No Comprehensive Plan Change required to allow residential or mixed use.

Existing Zoning: CD-S – Commercial Downtown Service; CD-C – Commercial Downtown Community

Proposed Zoning: Mixed Use

Existing Uses: Vacant retail commercial building and parking lot.

Status of Site and Existing Improvements: Building and parking lot are in fair to good condition but have been vacant for over a decade and are nearing the end of their economic life. No significant landscaping is on the site.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and one local street with good pedestrian access and is within 2,000 feet of a transit station. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: The existing retail building has been vacant for over one decade. The site's Downtown location indicates that mixed use would be appropriate. Site suitable for maximum height construction limits per the Alma Street Design Guidelines. Single ownership allows for easy parcel assembly and redevelopment.

Potential Dwelling Unit Yield and Mix of Housing Types: Maximum density of 25 DU/AC anticipated. Potential yield would be 10-12 apartments over retail commercial space.

Compatibility with Adjacent Uses: Proposed apartments may be compatible with existing mix of residential and commercial uses in the area but conflicts could arise between residential and non-residential uses.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 5-28

Site Name: Future Opportunity Center site

Site Address(es): 33, 39 and 45 Encina Ave. near El Camino Real

Site Size: 0.43 acres

Number of Parcels and Ownership: 3 parcels, 2 owners.

Comprehensive Plan Designation: CS – Service Commercial. No Comprehensive Plan Change required to allow residential or mixed use.

Existing Zoning: CS – Service Commercial

Proposed Zoning: PC – Planned Community (application pending)

Existing Uses: Vacant commercial building

Status of Site and Existing Improvements: Older commercial buildings in an industrial/manufacturing area. Buildings are in fair condition but are nearing the end of their economic life.

Access, Infrastructure and Services Availability: Site served by one local street with good pedestrian access and is within 2,000 feet of a transit station and is close to a transit corridor served by buses. Site is close to existing jobs. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area. With the completion of the Homer Avenue CalTrain undercrossing in 2003, the site will have adequate access to schools, parks and libraries.

Redevelopment and Reuse Potential: A development application for a PC zoning to allow a homeless service center and 90 Single Room Occupancy (SRO) and family housing units for the site is anticipated to be submitted in the Summer of 2002. Single ownership allows for easy parcel assembly and redevelopment. Zoning process is expected to be completed by spring of 2003.

Potential Dwelling Unit Yield and Mix of Housing Types: Probable yield would be 90 SRO and family units over a homeless service center of about 9,200 square feet in a five-story building.

Compatibility with Adjacent Uses: The homeless service center and housing units are compatible with existing commercial and medical uses in the area.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 5-30

Site Name: City Power Plant Substation

Site Address(es): 841 Alma Street between Homer and Channing

Site Size: 0.36 acres

Number of Parcels and Ownership: 1 parcel, 1 owner (City of Palo Alto Utilities)

Comprehensive Plan Designation: MISP – Major Institutional/Special Facilities

Existing Zoning: PF – Public Facilities District

Proposed Zoning: To be determined during the SOFA II Planning process

Existing Uses: Power Substation

Status of Site and Existing Improvements: The site is currently used for an electric power plant substation by the City Utility Department, but the Utility Department is considering relocating the power plant to another site for efficiency reasons.

Access, Infrastructure and Services Availability: The site is served by one major thoroughfare with good pedestrian access and within approximately 2,000 feet of a transit corridor hub providing train, shuttle and bus service. Adequate police, fire and emergency services are available in the area. The site is close to existing jobs, parks, schools and libraries. The site is infill site adequately served by sewer, water and other utilities.

Redevelopment and Reuse Potential: If the site is determined to be surplus, the only impediment to redevelopment could be from the existing utility use site clean up.

Potential Dwelling Unit Yield and Mix of Housing Types: Although a zoning district for the site has not been proposed, it is anticipated that 10-20 multi-family units could be accommodated on the site.

Compatibility with Adjacent Uses: Multi-family residential use of the property would be compatible with the existing and planned mix of residential and commercial development in the area.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 5-31

Site Name: N/A

Site Address(es): 901-925 High Street

Site Size: 0.46 acres

Number of Parcels and Ownership: 2 parcels; 1 owner

Comprehensive Plan Designation: CS – Commercial Service

Existing Zoning: CD-S(P)

Proposed Zoning: Mixed Use

Existing Uses: Auto storage and parking

Status of Site and Existing Improvements: The site unimproved.

Access, Infrastructure and Services Availability: The site is served by three local streets and near one major thoroughfare. It has good pedestrian access and is within 2,000 feet of a transit station hub providing train, shuttle and bus service. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area. The site is close to existing jobs, parks, schools and libraries.

Redevelopment and Reuse Potential: The site is clearly underutilized and the existing use is not compatible with the City's vision for its Downtown. The City is currently considering a proposed rezoning of the site to allow ten apartments on the site.

Potential Dwelling Unit Yield and Mix of Housing Types: Proposed rezoning would allow a mixed use project with groundfloor commercial and twelve apartment units in a two-story structure.

Compatibility with Adjacent Uses: A mixed-use development including twelve units would be compatible with the existing and planned commercial and residential uses in the area.

APPENDIX E

HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 8-06

Site Name: N/A

Site Address(es): 2650 Birch St. at Sheridan Ave.

Site Size: 0.57 acres

Number of Parcels and Ownership: 6 parcels, 1 owner.

Comprehensive Plan Designation: MF – Multiple Family Residential.

Existing Zoning: RM-40

Proposed Zoning: RM-40

Existing Uses: 2 vacant lots and 4 single family houses.

Status of Site and Existing Improvements: Houses are in fair condition and are currently being rented. Several large trees located on the site. The site is level and would be easy to redevelop.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and three local streets with good pedestrian access and is within 2,000 feet of a transit station. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: The existing vacant lots have been vacant for many years. Existing homes are over 40 years old and need some maintenance work. The site is surrounded by office and commercial uses and is suited for higher intensity development than currently exists. Single ownership allows for easy parcel assembly and redevelopment.

Potential Dwelling Unit Yield and Mix of Housing Types: Maximum density of 40 DU/AC anticipated. The potential yield would be 15-20 apartments.

Compatibility with Adjacent Uses: A multi-story apartment complex would be compatible with existing mix of commercial and office uses.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 8-09(a)

Site Name: Greenworld Nursery

Site Address(es): 2701 El Camino Real at Sheridan Avenue

Site Size: 0.98 acres

Number of Parcels and Ownership: 1 parcel, 1 owner.

Comprehensive Plan Designation: MF – Multiple Family Residential.

Existing Zoning: RM-40, CN

Proposed Zoning: RM-40 or Mixed Use

Existing Uses: Operating, small scale nursery; rear two-thirds of site vacant.

Status of Site and Existing Improvements: Site is vacant. Several large trees located on site. Site is level and would be easy to redevelop.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and one local street with good pedestrian access, is within 2,000 feet of a transit station, and adjacent to a transit corridor with major bus service. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: Site is vacant and ripe for development. Site is near a major, key intersection in Palo Alto (El Camino Real and Page Mill Road) and would be very attractive for more intensive development. The site is currently for sale and is being marketed for housing although mixed use would also be appropriate. Site could be combined with Site 8-09(b) and jointly developed.

Potential Dwelling Unit Yield and Mix of Housing Types: Maximum density of 40 DU/AC anticipated. Potential yield would be 30-35 apartments in a 3-4 story building.

Compatibility with Adjacent Uses: A multi-story apartment or mixed use complex would be compatible with existing mix of commercial and office uses.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 8-09(b)

Site Name: VTA Park and Ride Lot

Site Address(es): 2755 El Camino Real at Page Mill Road

Site Size: 0.48 acres

Number of Parcels and Ownership: 1 parcel, 1 owner.

Comprehensive Plan Designation: MISP – Major Institution/Special Facilities.

Existing Zoning: PF – Public Facilities

Proposed Zoning: RM-40

Existing Uses: Small parking lot operated by the Santa Clara Valley Transportation Authority (VTA).

Status of Site and Existing Improvements: Parking lot is relatively new and in good condition. Perimeter landscaping exists.

Access, Infrastructure and Services Availability: Site served by two major thoroughfares with good pedestrian access, is within 2,000 feet of a transit station, and adjacent to a transit corridor with major bus service. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: Although the site is completely occupied by the parking lot, there is an opportunity for building housing over the parking lot. The VTA has allowed joint development of such facilities in the past as a method of supporting transit use. Site is near a major, key intersection in Palo Alto (El Camino Real and Page Mill Road) and would be very attractive for more intensive development. The City believes the site is ideal for joint development and will be working with VTA on this matter. Site could be combined with Site 8-09(a) and jointly developed.

Potential Dwelling Unit Yield and Mix of Housing Types: Maximum density of 40 DU/AC anticipated. Potential yield would be 15-18 apartments in a 3-4 story building.

Compatibility with Adjacent Uses: A multi-story apartment or mixed use complex would be compatible with existing mix of commercial and office uses.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 8-11

Site Name: N/A

Site Address(es): East side Sheridan Ave. between SPRR and Park Blvd.

Site Size: 3.92 acres

Number of Parcels and Ownership: 4 parcels and portion of public right-of-way, 5 owners.

Comprehensive Plan Designation: Light Industrial. No Comprehensive Plan Change required to allow residential use.

Existing Zoning: GM – General Manufacturing

Proposed Zoning: RM-40

Existing Uses: Underutilized or vacant industrial buildings and sites.

Status of Site and Existing Improvements: Existing structures are over 40 years old and nearing the end of their economic life. Minimal landscaping is provided on site. Little or no recent investment made in site improvements. Site is partly vacant and underutilized containing very low intensity and marginal industrial uses.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and one local street with good pedestrian access and is within 2,000 feet of a transit station. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: This site represents a major opportunity for reuse especially if the existing parcels and public right-of-way can be combined. Site is close to other major transportation facilities besides those adjacent to it and may be eligible for MTC funding for Transit Oriented Development. Ratio of value of improvements to value of land is low indicating that market pressures should lead to redevelopment of this site in near future.

Potential Dwelling Unit Yield and Mix of Housing Types: Maximum density of 40 DU/AC anticipated. Potential yield would be 120-150 apartments in a series of 3-4 story buildings.

Compatibility with Adjacent Uses: A multi-story apartment complex would be compatible with existing mix of commercial, office and industrial uses.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 10-02

Site Name: Former Sun Microsystems

Site Address(es): 901 San Antonio Rd. near Bayshore Highway

Site Size: total - 12.92 acres; area likely to be reused - 7.5-8.0 acres

Number of Parcels and Ownership: 4 parcels, 1 owner.

Comprehensive Plan Designation: LI – Light Industrial. No Comprehensive Plan change is required to allow residential use.

Existing Zoning: GM – General Manufacturing

Proposed Zoning: RM-40

Existing Uses: Large vacant office building and large parking lot

Status of Site and Existing Improvements: Existing structure, parking lot and landscaping in good condition. Sun Microsystems vacated the site recently due to the downturn in the high technology sector of the economy.

Access, Infrastructure and Services Availability: Site served by three major thoroughfares with good pedestrian access but no access to significant transit facilities although bus service is provided. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: A property transaction between Sun Microsystems and the Jewish Community Center organization is in escrow. A portion of the site is to be used for a new Community Center in conjunction with a senior assisted-living facility. The remaining 4 acres of the site will be developed by Bridge Housing for a 200-330 unit multi-family condominium development. Eventually the entire site will be cleared and redeveloped. Single ownership allows for easy parcel assembly and redevelopment. Once the property is acquired by the JCC, it is anticipated that redevelopment of the site will be imminent.

Potential Dwelling Unit Yield and Mix of Housing Types: 100-230 units of multi-family "attainable" housing on approximately 4 acres and a 120,000 square foot assisted-senior facility of 100 units.

Compatibility with Adjacent Uses: Multi-family development and the senior facility would be compatible with each other as well as the community center and adjacent office and commercial uses in the area.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 12-01

Site Name: Former Blockbusters

Site Address(es): 4102 El Camino Real at Vista

Site Size: 0.65 acres

Number of Parcels and Ownership: 1 parcels, 1 owner.

Comprehensive Plan Designation: MF – Multiple Family Residential

Existing Zoning: RM-30

Proposed Zoning: RM-30

Existing Uses: Vacant with non-conforming retail commercial building onsite with parking

Status of Site and Existing Improvements: Existing structure and parking lot and landscaping in good condition but building may be nearing the end of its economic life. Minimal landscaping is provided on site. Site has been vacant for over one year.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and one local street with good pedestrian access and access to transit facilities including bus service. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Redevelopment will not exceed capacity of these lines. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: Site is currently on the market for residential use. The City is considering a proposal for 9 units on the site.

Potential Dwelling Unit Yield and Mix of Housing Types: Maximum density of 30 DU/AC allowed. Potential yield would be 9-15 units.

Compatibility with Adjacent Uses: Multi-family housing would be compatible with existing office and commercial uses in the area.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 12-06

Site Name: Hyatt Rickey's Hotel

Site Address(es): 4219 El Camino Real at Charleston Road

Site Size: Total - 15.98 acres; approximately 7.5 acres proposed to be redeveloped as multi-family housing in conjunction with hotel redevelopment.

Number of Parcels and Ownership: 3 parcels, 1 owner.

Comprehensive Plan Designation: MF – Multiple Family Residential with a Commercial Hotel Overlay

Existing Zoning: CS (H) – Service Commercial (Hotel)

Proposed Zoning: Same as above.

Existing Uses: Hotel and supporting uses.

Status of Site and Existing Improvements: Existing structures, parking lot and landscaping are in adequate condition but do not maximize the economic potential of the hotel use and the site.

Access, Infrastructure and Services Availability: Site served by two major thoroughfares and one local street with good pedestrian access and access to a transit corridor with bus service. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: The property owner has filed a development permit application to redevelop the site. The proposed project would demolish the existing hotel and build a new hotel and conference center on site and add between up to 302 apartments and townhouses on the site. Single ownership allows for easy parcel assembly and redevelopment.

Potential Dwelling Unit Yield and Mix of Housing Types: Potential dwelling unit yield would be 120- 302 multi-family units.

Compatibility with Adjacent Uses: Any multi-family development on the site would need to be designed to be compatible with and minimize impacts on the adjacent single family neighborhood, which may result in development at the lower end of the density range.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 12-07

Site Name: Elk's Lodge

Site Address(es): 4249 El Camino Real

Site Size: 8.08 acres

Number of Parcels and Ownership: 2 parcels, 1 owner.

Comprehensive Plan Designation: MF – Multiple Family Residential

Existing Zoning: R-1 – 0.64 acres; RM-15 – 2.2 acres; RM-30 – 5.24 acres

Proposed Zoning: Same as above.

Existing Uses: Grandfathered fraternal lodge and swim and recreation center use, supporting parking lot, and subleased area occupied by childcare center occupy the site.

Status of Site and Existing Improvements: Existing structures, parking lot and landscaping in fair to good condition but buildings nearing the end of their economic life.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and one local street with good pedestrian access and access to a transit corridor with bus service. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: The property is currently being offered on the market for housing in conjunction with a new Elk's Lodge. The reuse of a portion of the site will help finance Lodge activities. Large parking lot areas could easily be redeveloped but most structures on the site will have to be removed. Single ownership allows for easy parcel assembly and redevelopment.

Potential Dwelling Unit Yield and Mix of Housing Types: Potential dwelling unit yield would be: R-1 – 1 to 5 single family units on 0.64 acres; RM-15 – 13 to 33 townhouses or apartments in one or more of 2-story buildings; RM-30 – 84 to 157 apartments in a series of 2-3 story structures. Total development potential: 1-5 single-family units and 97 to 190 multifamily units

Compatibility with Adjacent Uses: A new Elk's Lodge and residential complex with a mix of single family homes on Wilkie Way and 2-3 story townhouse and apartment buildings would be compatible with the existing commercial and residential uses in the area. Any new development must be sensitively designed to be compatible with the adjacent existing single family neighborhood on Wilkie Way and the site access should be accessed from El Camino.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 12-09

Site Name: N/A

Site Address(es): 4146 El Camino Real

Site Size: 0.77 acres

Number of Parcels and Ownership: 1 parcel, 1 owner.

Comprehensive Plan Designation: MF – Multiple Family Residential

Existing Zoning: RM-15

Proposed Zoning: RM-30

Existing Uses: Vacant land

Status of Site and Existing Improvements: No improvements

Access, Infrastructure and Services Availability: Site served by one major thoroughfare with good pedestrian access and access to a major transit corridor with bus service. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: Site is vacant and is immediately available for residential development.

Potential Dwelling Unit Yield and Mix of Housing Types: Potential dwelling unit yield would be 5-10 apartments in a 2-story structure using RM-30 standards.

Compatibility with Adjacent Uses: A new 2-story multifamily building would be compatible with the existing residential uses in the area.

APPENDIX E
HOUSING SITE INVENTORY
INDIVIDUAL SITE DESCRIPTIONS AND DEVELOPMENT POTENTIAL

Site Number: 12-11

Site Name: Alma Plaza Shopping Center

Site Address(es): 3445 Alma St.

Site Size: 4.21 acres (only small portion to be redeveloped)

Number of Parcels and Ownership: 3 parcels, 1 owner

Comprehensive Plan Designation: CN – Neighborhood Commercial. No Comprehensive Plan change is required to allow residential use.

Existing Zoning: PC – Planned Community (allowing a mixed retail/housing development)

Proposed Zoning: PC – Planned Community to allow mixed-use development

Existing Uses: Two large commercial buildings/parking, vacant lot

Status of Site and Existing Improvements: Existing structures, parking lot and landscaping in adequate condition but do not maximize the economic potential of this retail center.

Access, Infrastructure and Services Availability: Site served by one major thoroughfare and one local street with good pedestrian access but no access to major transit facilities. Site is close to existing jobs, parks, schools and libraries. This is an infill site adequately served by sewer, water and other utilities. Adequate police, fire and emergency services are available in the area.

Redevelopment and Reuse Potential: The property owner has filed an application for mixed use on the site. The proposed intensification can be accommodated on the site and provide a modest number of housing units. Single ownership allows for easy parcel assembly and redevelopment.

Potential Dwelling Unit Yield and Mix of Housing Types: Potential dwelling unit yield would be 5 single family and 5 apartments over retail commercial.

Compatibility with Adjacent Uses: A mixed-use residential/commercial development would be compatible with the existing commercial and residential uses in the area.

APPENDIX F

Additional Potential Longer Term Housing Sites

Sites Considered Suitable for Future Residential Use

Site No.	Site Address	Description
4-02	285 Quarry Rd.	Hoover Pavilion
5-02	400/430 Forest Ave. at Waverly St.	CSAA Office/Surgery Center (planned and zoned for housing; RM-40)
5-03	1093-1095 Channing Ave.	St. Alberts Church
5-04	855 El Camino Real	Town & Country Shop. Center
5-05	University Ave. Circle area	Intermodal transit Center/Red Cross
5-22	153 Hamilton Ave.	Former Fasani Carpets/Turner Martin
5-29	49 Wells Ave. at Urban Ln.	Underutilized commercial site
8-01	1795 & 1805 El Camino Real at Park Avenue	Vacant lot and fast food restaurant
8-02	2650-2780 El Camino Real at Page Mill Road	Mayfield site (planned and zoned for housing; RM-40)
8-03	N. side El Camino Real btwn. Cambridge & Sherman Aves.	City parking lots
8-04	231 Grant Ave. between Park & Birch	County Mental Health Building
8-05	2310-2500 El Camino Real (Cambridge/ California area)	2-story commercial structures
8-07	S. side Staunton St. btwn. Oxford & College Aves.	Various commercial and office buildings
8-08	2209-2237 El Camino Real (east corner of El Camino Real and College Ave.)	Various older, underutilized commercial uses
8-10	2305-2333 El Camino Real (east corner of El Camino Real and Cambridge Ave.)	Various older, underutilized commercial uses
8-12	2805-2905 El Camino Real (at Page Mill Rd. and Pepper Ave.)	Mix of underutilized commercial uses
8-13	3001-3017, 3111-3127 El Camino Real (at Olive and Acacia Aves.)	Mix of underutilized comm. uses; vehicle storage
8-14	1515 El Camino Real at Churchill	Medical Office (planned and zoned for housing; RM-15)
8-15	340 Portage Avenue	Fry's site (planned and zoned for housing; RM-30)
9-01	720-738 Colorado St.; 733-737 San Carlos Ct.	Single-family houses
9-04	2605 Middlefield Rd. at Moreno	Former Coop Market
10-01	3864 Middlefield Rd. & 525 E. Charleston	CAR facility
11-03	611 Hansen Way at El Camino Real	Varian
12-02	E. corner El Camino Real and Curtner	Manpower Office; Jiffy Lube; Compadres Restaurant
12-04	3941/3945 El Camino Real	Existing motel
12-05	3981 El Camino Real	Mayflower Motel
12-08	4315-4329 El Camino Real	Palo Alto Bowling Alley (planned and zoned housing; RM-30/RM-15)
12-12	NE corner Maybell & Clemo	Vacant orchard and 4 homes (planned and zoned for housing; RM-40)
12-10	4035-4043 El Camino Way	Existing home/commercial uses
12-13	4101-4121 El Camino Way (east of East Meadow Dr.)	Small shopping center

Site No.	Site Address	Description
12-14	4125-4139 El Camino Way (north of James Rd.)	Small, older commercial uses
12-16	3700 El Camino Real (btwn. Barron Ave. and La Selva)	Mix of vacant and marginal commercial uses
12-18	4200-4232 El Camino Real	Various commercial/office uses
12-19	4085 El Camino Way at West Meadow	Goodwill Store
12-20	3505-3783 El Camino Real	Various underutilized commercial uses
13-01	4111 & 4161 Alma St.	Church and YWCA
13-03	725 San Antonio Rd. & 4151 Middlefield Rd. (Woolworth's Nursery)	Office uses
15-01	687 Arastradero Rd.	Greenhouse, vacant

APPENDIX G

Resource Persons Contacted
During Preparation of 1999-2006 Housing Element

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APPENDIX H

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